FDIC Quarterly

Quarterly Banking Profile: Second Quarter 2014

Minority Depository Institutions: Structure, Performance, and Social Impact

FDIC

2014, Volume 8, Number 3

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FDIC-insured institutions reported aggregate net income of $40.2 billion in the second quarter of 2014, up $2 billion (5.3 percent) from earnings of $38.2 billion the industry reported a year earlier. The increase in earnings was mainly attributable to a $1.9 billion (22.4 percent) decline in loan-loss provisions and a $1.5 billion (1.4 percent) decline in noninterest expenses. Strong loan growth contributed to an increase in net interest income compared to a year ago. However, lower income from reduced mortgage activity and a drop in trading revenue contributed to a year-over-year decline in noninterest income. More than half of the 6,656 insured institutions reporting (57.5 percent) had year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable during the second quarter fell to 6.8 percent from 8.4 percent a year earlier. *See page 1.*

Community Bank Performance

Community banks—which represent 93 percent of insured institutions—reported net income of $4.9 billion in the second quarter, up $166 million (3.5 percent) from one year earlier. The increase was driven by higher net interest income and lower loan loss provisions. In the second quarter of 2014, loan balances at community banks grew at a faster pace than in the industry, asset quality indicators continued to show improvement, and community banks accounted for 45 percent of small loans to businesses. *See page 14.*

Insurance Fund Indicators

Estimated insured deposits decreased slightly (0.2 percent) from the prior quarter, but increased 2.6 percent from one year earlier. The DIF reserve ratio was 0.84 percent at June 30, 2014, up from 0.80 percent at March 31, 2014, and 0.64 percent at June 30, 2013. Seven FDIC-insured institutions failed during the quarter. *See page 20.*

Featured Article: Minority Depository Institutions: Structure, Performance, and Social Impact

While the number of minority depository institutions (MDIs) and community development financial institutions (CDFIs) is relatively small compared with the total number of insured institutions, MDIs and CDFIs play an important role in providing financial services to the communities they seek to serve. This study describes MDIs and FDIC-insured CDFIs and how the structure of this segment of the financial services industry has changed over time. The study also compares the performance of MDIs with other insured institutions. Although MDIs tend to underperform non-MDI institutions in terms of standard industry financial performance measures, the study finds that MDI offices tend to be located in communities with higher shares of minority populations. In addition, MDIs were found to originate a greater share of their mortgages to borrowers living in low- and moderate-income census tracts and to minority borrowers compared with other financial institutions. These findings demonstrate a high level of commitment on the part of MDIs to the populations they seek to serve and the essential role they play in their local communities. *See page 33.*

Quarterly Banking Profile Second Quarter 2014

INSURED INSTITUTION PERFORMANCE

- ***Quarterly Net Income of $40.2 Billion Is 5.3 Percent Higher Than a Year Ago***
- ***Net Interest Income Posts $2 Billion Year-Over-Year Increase***
- ***Lower Income From Mortgage Activities Contributes to $3.6 Billion Drop in Noninterest Income***
- ***Loan Growth Rises to Post-Crisis High***
- ***Number of Banks on "Problem List" Falls Below 400***

Lower Expenses Contribute to Improvement in Earnings

The impact of the rise in medium- and long-term interest rates in second quarter 2013 remained evident in year-over-year earnings comparisons in second quarter 2014. The negative effect on noninterest income, particularly income from mortgage lending and from trading, was greater at large banks, while the positive implications of a steeper yield curve for net interest margins, combined with strengthening loan growth, were more significant for smaller institutions. The 6,656 FDIC-insured institutions filing financial results for second quarter 2014 reported combined net income of $40.2 billion. This is $2 billion (5.3 percent) more than the industry reported in second quarter 2013. Net operating revenue (the sum of net interest income and total noninterest income) was $1.5 billion (0.9 percent) lower than in second quarter 2013, as a decline in noninterest income from mortgage sales, securitization, and servicing outweighed an increase in net interest income. Earnings benefited from lower expenses for loan-loss provisions, goodwill impairment, and payrolls.

A majority of banks—57.5 percent—reported year-over-year increases in quarterly earnings, and only 6.8 percent of banks were unprofitable, down from 8.4 percent a year ago. This is the lowest proportion of unprofitable institutions since first quarter 2006. The average return on assets for the quarter was 1.07 percent, slightly above the 1.06 percent average in the year-ago quarter.

Revenues Decline From Year-Ago Level for Fourth Consecutive Quarter

Net interest income posted the largest year-over-year increase in 14 quarters, rising by $2 billion (1.9 percent), as interest-earning assets were 6.4 percent above year-ago levels. Almost 72 percent of all institutions reported year-over-year growth in quarterly net interest income. The average net interest margin fell to 3.15 percent from 3.25 percent in second quarter 2013. This is the lowest quarterly margin for the industry since third quarter 1989. Margin pressure was most evident at large banks. Nine of the ten largest banks reported lower quarterly margins than a year ago, whereas 55.2 percent of all banks reported year-over-year margin

Chart 1

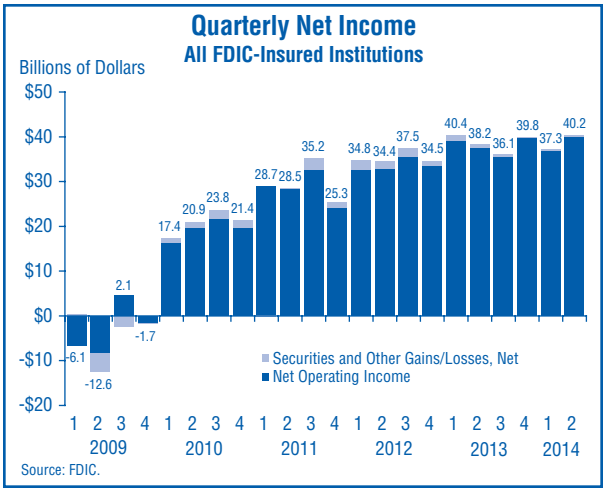
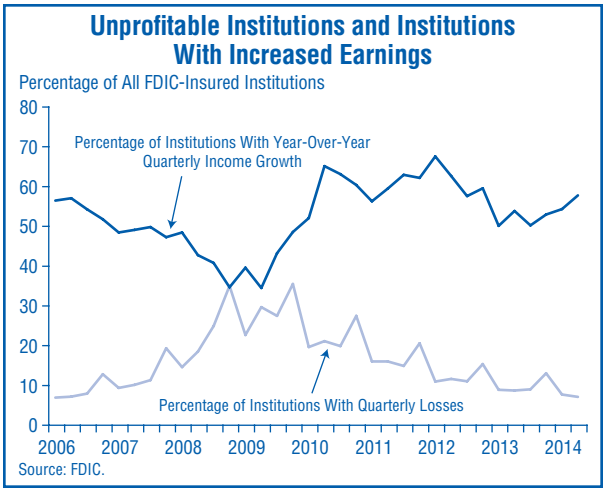


Chart 2



increases. Noninterest income was $3.6 billion (5.3 percent) lower than a year earlier, as income from sales, securitization, and servicing of 1-to-4 family residential mortgages fell by $3.7 billion (42.5 percent). Trading income declined for a fourth consecutive quarter, falling by $721 million (10.1 percent). Reduced expenses outweighed the weakness in revenues compared with the year before. Banks set aside $6.6 billion in provisions for loan and lease losses during the quarter, a $1.9 billion (22.4 percent) decline from second quarter 2013 and the lowest quarterly provision total since second quarter 2006. Expenses for goodwill impairment totaled $192 million, down from $4.4 billion in second quarter 2013, when two institutions reported large impairment charges. Expenses for salaries and employee benefits were $399 million (0.8 percent) lower as the industry reported 37,282 fewer employees than the year before. Itemized litigation expenses were $2 billion higher than in second quarter 2013.

Charge-Offs Fall to Seven-Year Low

Loan losses declined year over year for a 16th consecutive quarter, falling to $9.9 billion from $14.1 billion in second quarter 2013. This is the lowest quarterly net charge-off total for the industry since second quarter 2007. The decline was led by 1-to-4 family residential mortgage loans, where net charge-offs fell by $2.2 billion (74.7 percent). Net charge-offs were down year over year in all major loan categories except auto loans, where charge-offs increased $31 million (10.4 percent). Slightly more than half of all banks—50.8 percent—reported lower quarterly net charge-offs than in second quarter 2013.

Noncurrent Loan Rate Falls to Six-Year Low

Noncurrent loan balances improved for a 17th consecutive quarter, falling by $13.4 billion (6.9 percent) during the three months ended June 30. Noncurrent balances declined in all major loan categories except auto loans, where they increased by $28 million (3.2 percent). The largest decline occurred in noncurrent 1-to-4 family residential mortgages, which fell by $8 billion (6.4 percent). Noncurrent real estate loans secured by nonfarm nonresidential properties fell by $1.9 billion (9.6 percent), and noncurrent real estate construction loans declined by $1.2 billion (15.9 percent). At the end of the quarter, the industry's noncurrent loan rate was 2.24 percent, the lowest level since second quarter 2008.

Reserve Coverage of Noncurrent Loans Improves for Seventh Consecutive Quarter

Loan-loss reserves declined for a 17th consecutive quarter, as charge-offs removed more from reserves than banks added in provisions. Reserve balances fell by $4.1 billion (3.1 percent) during the quarter, as net charge-offs exceeded loss provisions by $3.3 billion. More than one-third of all banks (38.3 percent) reduced their loan-loss reserves. Despite the decline in reserves, the industry's coverage ratio of reserves to noncurrent loans and leases rose from 67.8 percent to 70.5 percent, thanks to the larger reduction in noncurrent loan balances. This is the seventh consecutive quarter that the coverage ratio has improved. The ratio is at its highest level since year-end 2008.

Chart 3

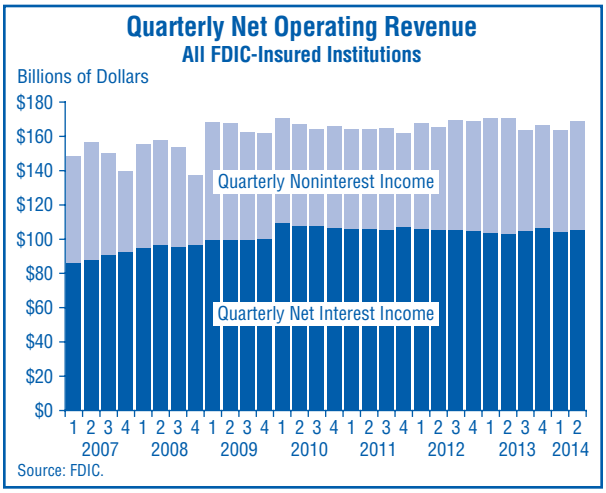
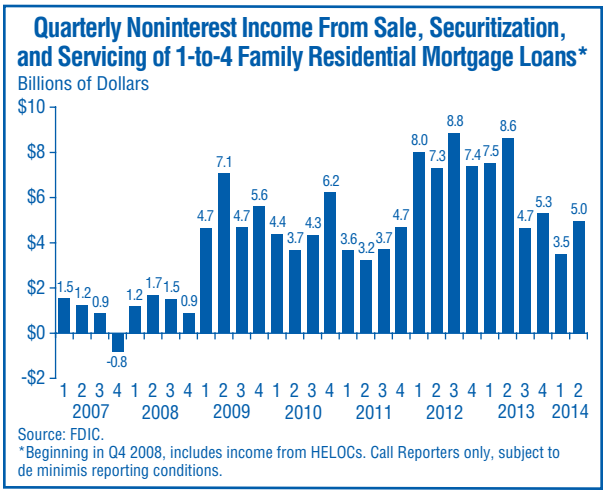


Chart 4



Rebound in Securities Values Bolsters Equity Growth

Equity capital rose by $34.2 billion (2 percent) during the quarter. Retained earnings added $17.6 billion to equity growth. Lower interest rates produced a $20 billion increase in unrealized gains on available-for-sale securities, which also contributed to the growth in equity. In addition, goodwill increased by $3.8 billion (1.3 percent). Tier 1 regulatory capital, unaffected by changes in unrealized securities gains and goodwill, increased by $19.8 billion (1.4 percent). The average equity-to-assets ratio rose from 11.23 percent to 11.26 percent, the highest level in almost two years. The average Tier 1 leverage ratio rose from 9.54 percent to 9.57 percent, the highest level for this regulatory capital ratio since risk-based capital standards were enacted in 1991. Insured institutions declared $22.6 billion in dividends in second quarter, up from $20.9 billion in second quarter 2013. At the end of the quarter, 98.4 percent of all insured institutions, representing 99.8 percent of all insured institution assets, met or exceeded the requirements for the highest regulatory capital category as defined for Prompt Corrective Action purposes.

Increase in Loan Balances Is Largest Since 2007

Total assets increased by $263.1 billion (1.8 percent), as loan and lease balances grew by $178.5 billion (2.3 percent), investment securities portfolios rose by $58.6 billion (1.9 percent), and balances at Federal Reserve banks increased by $28.2 billion (2.3 percent). The growth in loan balances was the largest quarterly increase since fourth quarter 2007 (excluding a change in accounting rules in first quarter 2010). Loan growth was led by commercial and industrial loans (up $49.9 billion, 3.1 percent), 1-to-4 family residential mortgages (up $22.7 billion, 1.2 percent), credit card balances (up $20 billion, 3 percent), and auto loans (up $10.9 billion, 3 percent). All major loan categories posted increases during the quarter except home equity lines of credit (down $4.4 billion, 0.9 percent). Loans to small businesses and farms rose by $8.2 billion (1.3 percent), the largest quarterly increase since banks began reporting small-business loan data on a quarterly basis in 2010. Banks' holdings of available-for-sale securities increased by $13.9 billion (0.6 percent), as a result of a $20 billion increase in their market values; the book value of the industry's available-for-sale portfolio registered a slight $6.1 billion decline. In contrast, banks increased their portfolios of held-to-maturity securities by $44.7 billion (8.3 percent). Unfunded loan commitments increased by $132.2 billion (2.1 percent), the largest quarterly increase since first quarter 2010. Growth in unfunded commitments was led by a $44.5 billion (2.8 percent) increase in unfunded commercial and industrial loan commitments.

Chart 5

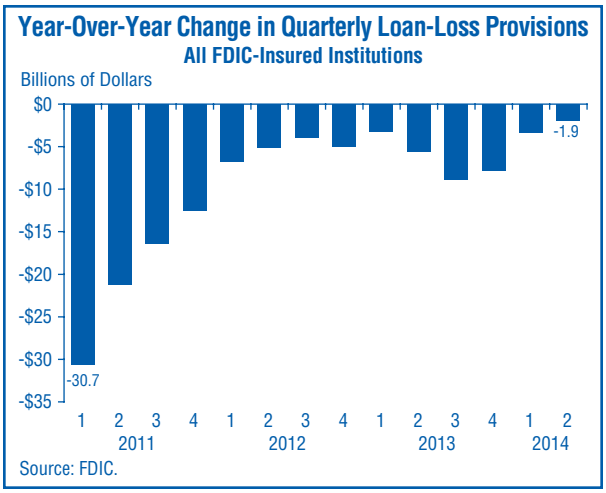
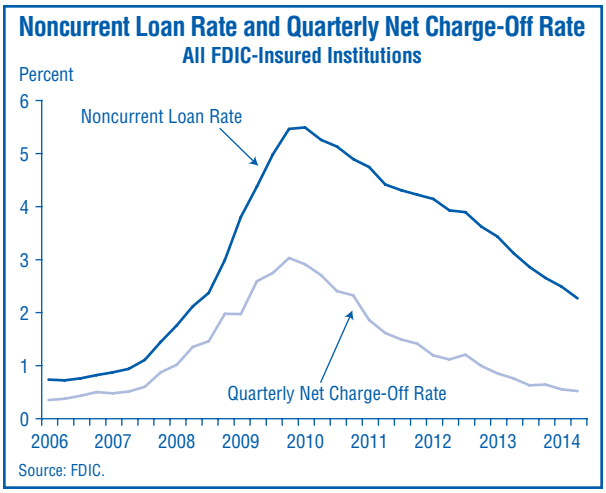


Chart 6



Large Denomination Noninterest-Bearing Deposits Post Strong Growth

Total deposits increased by $172.4 billion (1.5 percent) in the quarter. Growth was led by balances in accounts larger than $250,000, which increased by $157.5 billion (3.2 percent). Balances in domestic deposit accounts of $250,000 or less declined by $13.5 billion (0.3 percent). Noninterest-bearing accounts in domestic offices were up $115 billion (4.3 percent), while deposits in foreign offices rose by $35.8 billion (2.6 percent). Nondeposit liabilities increased by $56.5 billion (3 percent), as banks increased their borrowings from Federal Home Loan Banks by $45.6 billion (11.6 percent). Almost 90 percent of the growth in FHLB advances consisted of short-term borrowings (maturing or repricing in one year or less). Banks also increased their unsecured nondeposit borrowings that mature in one to three years by $17.5 billion (21.7 percent). Almost 90 percent of the $228.9 billion increase in liabilities during the quarter consisted of liabilities maturing or repricing in one year or less.

"Problem List" Shrinks to Smallest Level in Over Five Years

The number of insured institutions filing quarterly financial reports declined from 6,730 to 6,656 in the second quarter. Mergers absorbed 61 institutions during the quarter, while seven institutions failed. No new charters were added in the quarter. The number of institutions on the FDIC's "Problem List" declined from 411 to 354. This is the smallest number of "problem" institutions since the end of first quarter 2009, and is 60 percent below the most recent peak level of 888 "problem" institutions at the end of first quarter 2011. Total assets of "problem" institutions declined from $126.1 billion to $110.2 billion. The number of full-time equivalent employees at FDIC-insured institutions increased from 2,058,867 to 2,060,002, but remained below the year-earlier level of 2,097,284.

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Chart 7

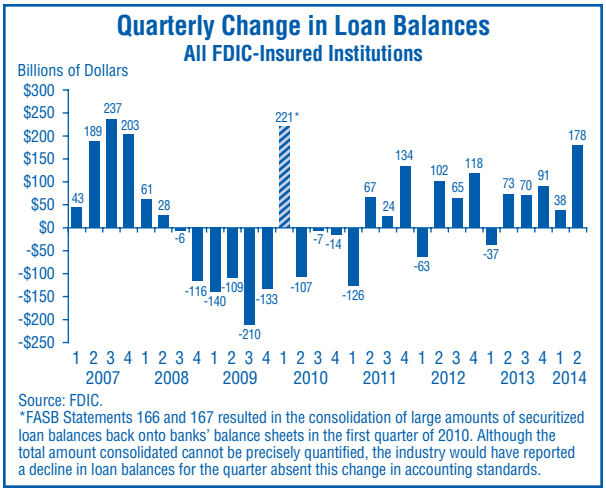


Chart 8

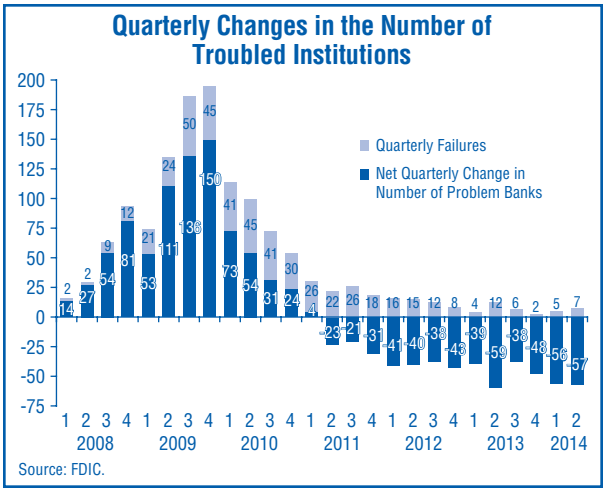


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2014**	2013**	2013	2012	2011	2010	2009
Return on assets (%)	1.04	1.09	1.07	1.00	0.88	0.65	-0.08
Return on equity (%)	9.27	9.74	9.54	8.91	7.79	5.85	-0.73
Core capital (leverage) ratio (%)	9.57	9.34	9.41	9.15	9.07	8.89	8.60
Noncurrent assets plus other real estate owned to assets (%)	1.40	1.90	1.63	2.20	2.61	3.11	3.37
Net charge-offs to loans (%)	0.51	0.78	0.69	1.10	1.55	2.55	2.52
Asset growth rate (%)	5.28	2.66	1.88	4.02	4.30	1.77	-5.45
Net interest margin (%)	3.16	3.26	3.26	3.42	3.60	3.76	3.49
Net operating income growth (%)	0.12	16.81	12.84	17.81	43.57	1594.54	-155.98
Number of institutions reporting	6,656	6,940	6,812	7,083	7,357	7,658	8,012
Commercial banks	5,757	5,980	5,876	6,096	6,291	6,530	6,840
Savings institutions	899	960	936	987	1,066	1,128	1,172
Percentage of unprofitable institutions (%)	6.64	8.24	8.16	10.97	16.22	22.15	30.84
Number of problem institutions	354	553	467	651	813	884	702
Assets of problem institutions (in billions)	$110	$192	$153	$233	$319	$390	$403
Number of failed institutions	12	16	24	51	92	157	140
Number of assisted institutions	0	0	0	0	0	0	8

* Excludes insured branches of foreign banks (IBAs).
** Through June 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending June 30.

TABLE II-A. Aggregate Condition and Income Data, All FDIC-Insured Institutions

(dollar figures in millions)	2nd Quarter 2014	1st Quarter 2014	2nd Quarter 2013	%Change 13Q2-14Q2
Number of institutions reporting	6,656	6,730	6,940	-4.1
Total employees (full-time equivalent)	2,060,002	2,058,867	2,097,284	-1.8
CONDITION DATA				
Total assets	$15,164,599	$14,901,492	$14,404,747	5.3
Loans secured by real estate	4,123,542	4,075,607	4,048,096	1.9
1-4 Family residential mortgages	1,844,997	1,822,297	1,856,242	-0.6
Nonfarm nonresidential	1,125,522	1,117,464	1,083,214	3.9
Construction and development	223,171	214,617	202,575	10.2
Home equity lines	499,166	503,520	528,652	-5.6
Commercial & industrial loans	1,664,131	1,614,234	1,519,515	9.5
Loans to individuals	1,366,728	1,326,971	1,310,289	4.3
Credit cards	678,337	658,386	670,289	1.2
Farm loans	69,630	64,926	65,039	7.1
Other loans & leases	887,165	851,019	791,223	12.1
Less: Unearned income	1,854	1,901	1,831	1.2
Total loans & leases	8,109,343	7,930,878	7,732,331	4.9
Less: Reserve for losses	128,204	132,335	149,056	-14.0
Net loans and leases	7,981,139	7,798,543	7,583,275	5.2
Securities	3,113,081	3,054,500	2,945,330	5.7
Other real estate owned	27,898	29,362	32,627	-14.5
Goodwill and other intangibles	365,586	365,490	367,073	-0.4
All other assets	3,676,894	3,653,596	3,476,442	5.8
Total liabilities and capital	15,164,599	14,901,492	14,404,747	5.3
Deposits	11,490,259	11,317,852	10,780,467	6.6
Domestic office deposits	10,058,717	9,922,103	9,395,525	7.1
Foreign office deposits	1,431,542	1,395,749	1,384,942	3.4
Other borrowed funds	1,378,186	1,342,993	1,328,800	3.7
Subordinated debt	97,802	95,451	113,621	-13.9
All other liabilities	482,169	463,191	558,546	-13.7
Total equity capital (includes minority interests)	1,716,183	1,682,005	1,623,313	5.7
Bank equity capital	1,707,437	1,673,268	1,608,497	6.2
Loans and leases 30-89 days past due	65,711	69,539	75,318	-12.8
Noncurrent loans and leases	181,757	195,185	239,309	-24.0
Restructured loans and leases	94,202	97,144	102,074	-7.7
Mortgage-backed securities	1,700,887	1,690,536	1,678,439	1.3
Earning assets	13,516,296	13,267,222	12,704,541	6.4
FHLB Advances	437,650	392,000	369,402	18.5
Unused loan commitments	6,346,021	6,213,822	5,992,559	5.9
Trust assets	18,344,120	20,192,402	18,123,850	1.2
Assets securitized and sold	965,835	722,091	765,366	26.2
Notional amount of derivatives	239,197,271	233,457,327	236,532,240	1.1

INCOME DATA	First Half 2014	First Half 2013	%Change	2nd Quarter 2014	2nd Quarter 2013	%Change 13Q2-14Q2
Total interest income	$233,131	$234,917	-0.8	$117,426	$117,104	0.3
Total interest expense	23,859	27,852	-14.3	11,976	13,665	-12.4
Net interest income	209,271	207,065	1.1	105,450	103,439	1.9
Provision for loan and lease losses	14,190	19,385	-26.8	6,593	8,491	-22.4
Total noninterest income	123,015	133,709	-8.0	63,542	67,093	-5.3
Total noninterest expense	206,780	208,420	-0.8	104,902	106,429	-1.4
Securities gains (losses)	1,595	3,439	-53.6	770	1,371	-43.9
Applicable income taxes	35,075	37,301	-6.0	17,766	18,521	-4.1
Extraordinary gains, net	-4	-92	N/M	-80	-33	N/M
Total net income (includes minority interests)	77,833	79,015	-1.5	40,421	38,429	5.2
Bank net income	77,462	78,588	-1.4	40,243	38,200	5.4
Net charge-offs	20,286	29,934	-32.2	9,921	14,066	-29.5
Cash dividends	42,478	35,334	20.2	22,625	20,934	8.1
Retained earnings	34,984	43,254	-19.1	17,618	17,266	2.0
Net operating income	76,712	76,624	0.1	39,966	37,490	6.6

N/M - Not Meaningful

TABLE III-A. Second Quarter 2014, All FDIC-Insured Institutions

SECOND QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	6,656	16	4	1,493	3,300	570	56	390	765	62
Commercial banks	5,757	13	4	1,473	2,975	173	44	354	668	53
Savings institutions	899	3	0	20	325	397	12	36	97	9
Total assets (in billions)	$15,164.6	$601.2	$3,794.6	$250.6	$5,059.5	$458.5	$212.7	$63.0	$138.7	$4,585.6
Commercial banks	14,106.1	517.3	3,794.6	245.1	4,662.9	166.1	127.6	58.2	117.2	4,417.2
Savings institutions	1,058.5	83.9	0.0	5.6	396.7	292.5	85.2	4.8	21.5	168.5
Total deposits (in billions)	11,490.3	344.7	2,711.2	207.9	3,917.8	340.8	174.6	51.5	116.4	3,625.3
Commercial banks	10,683.1	285.3	2,711.2	204.5	3,628.2	126.6	103.7	48.2	98.8	3,476.6
Savings institutions	807.2	59.4	0.0	3.4	289.6	214.2	71.0	3.4	17.6	148.8
Bank net income (in millions)	40,243	4,515	8,229	752	12,658	995	571	326	309	11,888
Commercial banks	37,253	3,589	8,229	724	11,879	458	343	187	283	11,561
Savings institutions	2,990	926	0	27	779	537	228	139	27	327
Performance Ratios (annualized, %)										
Yield on earning assets	3.51	9.94	2.75	4.12	3.87	3.62	3.87	3.07	3.95	2.78
Cost of funding earning assets	0.36	0.67	0.38	0.49	0.40	0.67	0.44	0.38	0.46	0.20
Net interest margin	3.15	9.27	2.37	3.63	3.46	2.95	3.43	2.70	3.49	2.58
Noninterest income to assets	1.69	4.33	1.82	0.62	1.33	1.00	1.21	4.85	0.93	1.77
Noninterest expense to assets	2.79	6.01	2.59	2.48	2.89	2.47	2.45	4.53	2.99	2.47
Loan and lease loss provision to assets	0.18	2.00	0.09	0.10	0.12	0.09	0.38	0.03	0.11	0.07
Net operating income to assets	1.06	3.04	0.88	1.18	1.01	0.85	1.08	2.02	0.87	1.03
Pretax return on assets	1.55	4.86	1.21	1.42	1.43	1.24	1.64	2.81	1.08	1.55
Return on assets	1.07	3.03	0.88	1.20	1.01	0.87	1.08	2.07	0.89	1.05
Return on equity	9.54	20.62	9.33	10.79	8.43	7.48	11.06	15.04	7.79	9.13
Net charge-offs to loans and leases	0.50	2.96	0.77	0.12	0.26	0.25	0.45	0.28	0.26	0.25
Loan and lease loss provision to net charge-offs	66.45	87.61	33.70	128.02	70.63	61.92	117.07	42.18	75.60	59.34
Efficiency ratio	60.96	45.18	65.79	62.04	63.92	65.11	53.98	61.60	71.80	59.71
% of unprofitable institutions	6.76	0.00	0.00	3.01	7.36	10.00	5.36	10.77	7.58	3.23
% of institutions with earnings gains	57.45	43.75	0.00	56.53	61.09	51.58	42.86	55.64	50.85	53.23
Structural Changes										
New reporters	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	61	0	0	11	46	2	0	0	1	1
Failed institutions	7	0	0	1	3	1	0	0	2	0
PRIOR SECOND QUARTERS (The way it was...)										
Return on assets (%) 2013	1.06	3.27	1.03	1.21	0.79	1.07	1.68	1.79	0.95	1.05
2011	0.85	3.96	0.46	1.12	0.71	0.55	1.67	1.94	0.80	0.80
2009	-0.38	-7.92	-0.54	0.78	-0.20	0.56	0.64	1.28	0.70	0.30
Net charge-offs to loans & leases (%) 2013	0.73	3.38	1.05	0.14	0.46	0.41	1.07	0.45	0.38	0.48
2011	1.59	5.58	1.43	0.37	1.27	1.03	1.79	0.41	0.48	1.24
2009	2.57	10.78	3.07	0.61	2.07	1.27	2.80	0.71	0.51	2.31

* See Table V-A (page 10) for explanations.
Note: Blue font identifies data that are also presented in the prior quarters' data at bottom of table.

TABLE III-A. Second Quarter 2014, All FDIC-Insured Institutions

SECOND QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	6,656	1,975	4,007	565	109	823	837	1,444	1,629	1,398	525
Commercial banks	5,757	1,744	3,469	451	93	456	756	1,201	1,560	1,306	478
Savings institutions	899	231	538	114	16	367	81	243	69	92	47
Total assets (in billions)	$15,164.6	$116.3	$1,234.7	$1,493.0	$12,320.7	$3,048.0	$3,049.5	$3,480.3	$3,302.9	$893.3	$1,390.7
Commercial banks	14,106.1	102.9	1,044.1	1,198.0	11,761.1	2,579.3	2,962.4	3,368.8	3,242.4	787.9	1,165.4
Savings institutions	1,058.5	13.4	190.6	295.0	559.6	468.7	87.1	111.5	60.5	105.5	225.2
Total deposits (in billions)	11,490.3	98.3	1,029.6	1,161.6	9,200.8	2,271.1	2,353.3	2,528.9	2,518.9	741.9	1,076.1
Commercial banks	10,683.1	87.8	877.7	941.9	8,775.7	1,932.8	2,288.3	2,445.7	2,471.2	654.2	890.8
Savings institutions	807.2	10.5	151.9	219.7	425.1	338.4	65.0	83.2	47.7	87.7	185.3
Bank net income (in millions)	40,243	251	3,118	3,866	33,009	7,273	6,977	9,055	9,356	2,596	4,986
Commercial banks	37,253	226	2,701	3,201	31,125	6,509	6,803	8,712	9,253	2,239	3,738
Savings institutions	2,990	25	416	665	1,883	764	174	343	104	357	1,248
Performance Ratios (annualized, %)											
Yield on earning assets	3.51	4.14	4.19	4.23	3.35	3.73	3.44	2.78	3.75	3.96	4.14
Cost of funding earning assets	0.36	0.48	0.50	0.44	0.33	0.41	0.30	0.29	0.41	0.33	0.45
Net interest margin	3.15	3.65	3.69	3.79	3.01	3.33	3.14	2.49	3.34	3.63	3.69
Noninterest income to assets	1.69	1.10	1.10	1.24	1.81	1.54	1.64	2.00	1.50	1.40	2.04
Noninterest expense to assets	2.79	3.38	3.13	3.11	2.72	2.77	2.96	2.70	2.64	3.04	2.95
Loan and lease loss provision to assets	0.18	0.09	0.12	0.14	0.19	0.30	0.16	0.08	0.15	0.13	0.29
Net operating income to assets	1.06	0.83	0.99	1.04	1.08	0.97	0.89	1.05	1.15	1.16	1.45
Pretax return on assets	1.55	1.01	1.28	1.46	1.59	1.46	1.32	1.42	1.67	1.55	2.24
Return on assets	1.07	0.86	1.01	1.05	1.08	0.97	0.92	1.05	1.14	1.17	1.46
Return on equity	9.54	7.15	9.23	8.79	9.69	8.09	7.42	10.69	10.95	10.60	11.50
Net charge-offs to loans and leases	0.50	0.18	0.23	0.26	0.57	0.72	0.38	0.34	0.64	0.22	0.48
Loan and lease loss provision to net charge-offs	66.45	83.99	84.34	80.99	64.43	77.26	71.03	51.85	43.96	97.37	100.43
Efficiency ratio	60.96	75.80	69.22	64.56	59.52	59.09	66.69	63.57	57.82	64.07	53.43
% of unprofitable institutions	6.76	12.15	4.84	2.83	0.00	7.78	10.16	7.69	4.30	5.08	9.33
% of institutions with earnings gains	57.45	52.51	59.05	63.89	55.05	53.46	59.14	54.50	58.26	60.23	59.24
Structural Changes											
New reporters	0	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	61	12	38	10	1	5	11	11	13	12	9
Failed institutions	7	5	2	0	0	1	2	3	0	1	0
PRIOR SECOND QUARTERS (The way it was...)											
Return on assets (%) 2013	1.06	0.77	0.95	1.27	1.05	0.53	1.02	1.12	1.28	1.17	1.60
2011	0.85	0.53	0.53	0.93	0.88	1.20	0.44	0.71	1.23	0.87	0.83
2009	-0.38	0.03	-0.17	-0.83	-0.34	-1.91	-0.04	0.18	0.74	0.21	-0.71
Net charge-offs to loans & leases (%) 2013	0.73	0.35	0.37	0.43	0.83	1.00	0.70	0.48	0.95	0.34	0.58
2011	1.59	0.63	0.91	1.22	1.76	1.81	1.69	1.30	1.84	0.96	1.53
2009	2.57	0.91	1.14	2.23	2.89	2.91	2.26	2.40	2.56	1.32	3.39

* See Table V-A (page 11) for explanations.
Note: Blue font identifies data that are also presented in the prior quarters' data at bottom of table.

TABLE IV-A. First Half 2014, All FDIC-Insured Institutions

FIRST HALF (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	6,656	16	4	1,493	3,300	570	56	390	765	62
Commercial banks	5,757	13	4	1,473	2,975	173	44	354	668	53
Savings institutions	899	3	0	20	325	397	12	36	97	9
Total assets (in billions)	$15,164.6	$601.2	$3,794.6	$250.6	$5,059.5	$458.5	$212.7	$63.0	$138.7	$4,585.6
Commercial banks	14,106.1	517.3	3,794.6	245.1	4,662.9	166.1	127.6	58.2	117.2	4,417.2
Savings institutions	1,058.5	83.9	0.0	5.6	396.7	292.5	85.2	4.8	21.5	168.5
Total deposits (in billions)	11,490.3	344.7	2,711.2	207.9	3,917.8	340.8	174.6	51.5	116.4	3,625.3
Commercial banks	10,683.1	285.3	2,711.2	204.5	3,628.2	126.6	103.7	48.2	98.8	3,476.6
Savings institutions	807.2	59.4	0.0	3.4	289.6	214.2	71.0	3.4	17.6	148.8
Bank net income (in millions)	77,462	9,658	15,401	1,438	24,380	1,866	1,105	617	593	22,404
Commercial banks	71,603	7,762	15,401	1,386	22,849	891	682	358	541	21,733
Savings institutions	5,859	1,896	0	52	1,531	975	423	259	52	671
Performance Ratios (annualized, %)										
Yield on earning assets	3.52	10.01	2.75	4.08	3.85	3.65	3.82	3.09	3.94	2.80
Cost of funding earning assets	0.36	0.66	0.38	0.49	0.41	0.67	0.45	0.38	0.47	0.20
Net interest margin	3.16	9.35	2.37	3.59	3.45	2.98	3.37	2.71	3.47	2.60
Noninterest income to assets	1.65	4.37	1.74	0.60	1.27	1.00	1.14	4.75	0.90	1.77
Noninterest expense to assets	2.78	5.78	2.51	2.48	2.85	2.49	2.35	4.56	2.98	2.56
Loan and lease loss provision to assets	0.19	2.05	0.12	0.10	0.13	0.15	0.39	0.04	0.09	0.07
Net operating income to assets	1.03	3.25	0.83	1.14	0.98	0.79	1.06	1.94	0.84	0.97
Pretax return on assets	1.51	5.16	1.18	1.36	1.39	1.19	1.62	2.68	1.05	1.48
Return on assets	1.04	3.25	0.82	1.16	0.98	0.82	1.06	1.97	0.86	0.99
Return on equity	9.27	22.10	8.81	10.46	8.23	7.08	10.88	14.48	7.56	8.67
Net charge-offs to loans and leases	0.51	2.98	0.74	0.10	0.26	0.26	0.50	0.21	0.21	0.30
Loan and lease loss provision to net charge-offs	69.95	88.50	46.79	164.59	72.70	97.91	109.58	72.40	80.73	51.24
Efficiency ratio	61.17	42.96	65.10	62.86	64.35	65.19	53.06	62.69	72.62	61.61
% of unprofitable institutions	6.64	0.00	0.00	2.61	7.36	9.82	7.14	9.49	7.97	3.23
% of institutions with earnings gains	55.89	50.00	50.00	56.73	59.03	47.72	30.36	53.59	50.46	50.00
Condition Ratios (%)										
Earning assets to total assets	89.13	92.30	87.47	92.56	89.56	93.80	95.09	91.51	92.19	88.57
Loss allowance to:										
Loans and leases	1.58	3.31	2.01	1.46	1.41	1.26	1.01	1.90	1.47	1.31
Noncurrent loans and leases	70.54	331.46	81.28	137.38	86.32	41.42	87.85	103.77	78.75	38.59
Noncurrent assets plus other real estate owned to assets	1.40	0.78	0.97	0.90	1.43	2.10	0.89	0.84	1.49	1.78
Equity capital ratio	11.26	14.61	9.42	11.26	12.05	11.71	9.83	13.99	11.63	11.45
Core capital (leverage) ratio	9.57	12.70	8.36	10.48	10.24	10.97	9.62	13.15	11.30	9.10
Tier 1 risk-based capital ratio	12.98	13.18	12.23	14.78	12.77	20.88	13.89	30.26	19.70	12.71
Total risk-based capital ratio	14.47	15.43	13.13	15.90	14.36	21.94	14.66	31.33	20.86	14.53
Net loans and leases to deposits	69.46	131.40	47.90	74.73	86.66	79.31	86.59	33.50	63.96	59.74
Net loans to total assets	52.63	75.33	34.23	61.99	67.10	58.94	71.08	27.39	53.66	47.23
Domestic deposits to total assets	66.33	54.95	43.96	82.95	76.53	74.14	82.08	80.87	83.90	71.92
Structural Changes										
New reporters	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	135	0	0	24	93	5	0	2	5	6
Failed institutions	12	0	0	1	7	2	0	0	2	0
PRIOR FIRST HALVES (The way it was...)										
Number of institutions 2013	6,940	16	4	1,521	3,455	603	47	416	810	68
2011	7,513	20	4	1,544	3,953	716	72	347	794	63
2009	8,195	24	5	1,551	4,637	808	80	294	743	53
Total assets (in billions) 2013	$14,404.7	$590.5	$3,645.4	$236.0	$4,723.9	$562.0	$103.9	$64.1	$143.9	$4,335.1
2011	13,602.6	656.0	3,328.1	204.2	4,132.2	773.8	97.7	50.0	129.1	4,231.4
2009	13,279.7	464.5	3,204.0	170.1	5,947.0	933.4	84.0	36.0	101.7	2,338.9
Return on assets (%) 2013	1.09	3.19	1.00	1.17	0.87	1.01	1.60	1.73	0.94	1.11
2011	0.85	3.81	0.53	1.09	0.66	0.49	1.60	1.65	0.80	0.84
2009	-0.26	-9.56	0.05	0.88	-0.18	0.57	0.28	0.73	0.79	0.46
Net charge-offs to loans & leases (%) 2013	0.78	3.37	1.12	0.12	0.49	0.42	1.13	0.44	0.33	0.55
2011	1.71	6.12	1.69	0.33	1.29	1.01	1.86	0.57	0.45	1.32
2009	2.25	9.57	2.73	0.47	1.76	1.13	2.71	0.81	0.42	2.04
Noncurrent assets plus OREO to assets (%) 2013	1.90	0.92	1.28	1.03	1.94	2.30	0.89	1.00	1.60	2.56
2011	2.76	1.51	1.76	1.62	3.38	2.72	1.00	1.01	1.88	3.27
2009	2.78	2.56	2.25	1.45	3.36	2.96	1.14	0.72	1.30	2.23
Equity capital ratio (%) 2013	11.17	15.10	8.87	11.01	11.86	11.23	9.84	14.42	11.32	11.79
2011	11.29	17.21	8.28	11.26	11.86	10.56	9.93	15.65	11.51	12.29
2009	10.42	21.20	8.42	11.08	10.54	9.47	9.95	16.59	11.36	10.91

* See Table V-A (page 10) for explanations.
Note: Blue font identifies data that are also presented in the prior halves' data at bottom of table.

TABLE IV-A. First Half 2014, All FDIC-Insured Institutions

FIRST HALF (The way it is...)	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	6,656	1,975	4,007	565	109	823	837	1,444	1,629	1,398	525
Commercial banks	5,757	1,744	3,469	451	93	456	756	1,201	1,560	1,306	478
Savings institutions	899	231	538	114	16	367	81	243	69	92	47
Total assets (in billions)	$15,164.6	$116.3	$1,234.7	$1,493.0	$12,320.7	$3,048.0	$3,049.5	$3,480.3	$3,302.9	$893.3	$1,390.7
Commercial banks	14,106.1	102.9	1,044.1	1,198.0	11,761.1	2,579.3	2,962.4	3,368.8	3,242.4	787.9	1,165.4
Savings institutions	1,058.5	13.4	190.6	295.0	559.6	468.7	87.1	111.5	60.5	105.5	225.2
Total deposits (in billions)	11,490.3	98.3	1,029.6	1,161.6	9,200.8	2,271.1	2,353.3	2,528.9	2,518.9	741.9	1,076.1
Commercial banks	10,683.1	87.8	877.7	941.9	8,775.7	1,932.8	2,288.3	2,445.7	2,471.2	654.2	890.8
Savings institutions	807.2	10.5	151.9	219.7	425.1	338.4	65.0	83.2	47.7	87.7	185.3
Bank net income (in millions)	77,462	477	5,882	7,546	63,558	14,748	13,607	15,864	18,543	4,989	9,711
Commercial banks	71,603	427	5,098	6,328	59,751	13,236	13,256	15,354	18,277	4,312	7,168
Savings institutions	5,859	51	784	1,217	3,807	1,512	351	510	266	678	2,543
Performance Ratios (annualized, %)											
Yield on earning assets	3.52	4.12	4.17	4.21	3.36	3.77	3.46	2.79	3.74	3.93	4.09
Cost of funding earning assets	0.36	0.49	0.51	0.44	0.33	0.41	0.30	0.30	0.41	0.34	0.44
Net interest margin	3.16	3.63	3.66	3.77	3.02	3.37	3.16	2.49	3.33	3.59	3.64
Noninterest income to assets	1.65	1.08	1.05	1.21	1.77	1.52	1.65	1.86	1.50	1.33	1.98
Noninterest expense to assets	2.78	3.37	3.12	3.07	2.70	2.74	3.00	2.67	2.62	3.02	2.85
Loan and lease loss provision to assets	0.19	0.09	0.12	0.15	0.20	0.33	0.16	0.11	0.15	0.11	0.30
Net operating income to assets	1.03	0.80	0.94	1.01	1.04	0.98	0.87	0.93	1.14	1.12	1.43
Pretax return on assets	1.51	0.97	1.22	1.44	1.55	1.48	1.30	1.28	1.69	1.50	2.22
Return on assets	1.04	0.82	0.96	1.03	1.05	0.99	0.90	0.93	1.14	1.14	1.44
Return on equity	9.27	6.88	8.83	8.68	9.42	8.26	7.31	9.49	10.91	10.33	11.37
Net charge-offs to loans and leases	0.51	0.18	0.20	0.26	0.59	0.73	0.42	0.36	0.63	0.21	0.49
Loan and lease loss provision to net charge-offs	69.95	87.54	92.19	89.92	67.54	82.63	66.90	66.80	46.26	85.62	101.57
Efficiency ratio	61.17	76.23	70.17	64.95	59.65	58.70	67.19	65.14	57.30	64.97	52.71
% of unprofitable institutions	6.64	12.10	4.74	2.30	0.00	7.17	11.11	8.03	3.93	4.01	10.29
% of institutions with earnings gains	55.89	52.71	57.03	59.65	52.29	51.03	59.74	52.35	58.01	58.08	54.67
Condition Ratios (%)											
Earning assets to total assets	89.13	91.71	92.23	91.24	88.54	89.48	87.67	88.56	88.76	91.24	92.50
Loss allowance to:											
Loans and leases	1.58	1.62	1.53	1.45	1.61	1.60	1.46	1.71	1.72	1.41	1.39
Noncurrent loans and leases	70.54	95.99	95.35	78.95	67.20	97.63	50.40	71.14	61.69	89.32	131.93
Noncurrent assets plus other real estate owned to assets	1.40	1.63	1.62	1.62	1.34	0.99	1.90	1.30	1.68	1.34	0.76
Equity capital ratio	11.26	12.15	11.09	11.92	11.19	11.92	12.42	9.87	10.44	11.16	12.76
Core capital (leverage) ratio	9.57	11.88	10.72	10.64	9.29	9.88	9.50	8.74	9.21	10.13	11.56
Tier 1 risk-based capital ratio	12.98	19.44	15.78	14.47	12.48	13.58	12.78	11.84	12.48	14.28	15.24
Total risk-based capital ratio	14.47	20.54	16.94	15.62	14.05	15.31	14.46	13.02	14.11	15.52	16.45
Net loans and leases to deposits	69.46	66.11	75.85	84.37	66.90	70.50	73.99	61.33	67.64	72.93	78.33
Net loans to total assets	52.63	55.88	63.25	65.64	49.96	52.53	57.10	44.56	51.59	60.57	60.61
Domestic deposits to total assets	66.33	84.54	83.33	77.41	63.11	65.52	73.85	60.79	57.33	82.68	76.35
Structural Changes											
New reporters	0	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	135	44	75	14	2	11	26	25	30	27	16
Failed institutions	12	7	5	0	0	2	3	4	0	2	1
PRIOR FIRST HALVES (The way it was...)											
Number of institutions 2013	6,940	2,141	4,146	546	107	858	884	1,483	1,686	1,468	561
2011	7,513	2,550	4,296	561	106	932	990	1,575	1,804	1,570	642
2009	8,195	3,013	4,484	582	116	996	1,164	1,685	1,914	1,680	756
Total assets (in billions) 2013	$14,404.7	$124.8	$1,256.7	$1,413.9	$11,609.3	$2,855.1	$2,980.2	$3,344.1	$3,082.9	$867.2	$1,275.3
2011	13,602.6	146.0	1,272.9	1,422.1	10,761.6	2,769.3	2,916.0	3,119.5	1,672.3	788.5	2,337.0
2009	13,279.7	165.4	1,347.9	1,500.8	10,265.6	2,437.9	3,493.7	3,124.6	1,063.0	777.4	2,383.0
Return on assets (%) 2013	1.09	0.76	0.92	1.19	1.10	0.70	1.07	1.11	1.26	1.14	1.55
2011	0.85	0.53	0.53	0.82	0.90	1.12	0.53	0.69	1.21	0.90	0.90
2009	-0.26	0.15	0.06	-0.50	-0.28	-1.86	0.15	0.15	0.65	-0.25	-0.17
Net charge-offs to loans & leases (%) 2013	0.78	0.31	0.35	0.42	0.90	1.05	0.76	0.52	1.00	0.35	0.61
2011	1.71	0.54	0.84	1.29	1.92	2.05	1.75	1.36	1.93	0.89	1.74
2009	2.25	0.76	0.95	1.81	2.57	2.56	1.97	2.01	2.35	1.13	3.03
Noncurrent assets plus OREO to assets (%) 2013	1.90	1.90	2.11	2.14	1.85	1.26	2.76	1.74	2.18	1.86	1.12
2011	2.76	2.40	3.34	3.36	2.61	1.87	3.82	2.55	3.82	2.92	1.92
2009	2.78	2.04	2.94	3.44	2.67	1.83	3.08	2.87	3.12	2.44	3.13
Equity capital ratio (%) 2013	11.17	11.76	10.85	11.78	11.12	12.00	12.22	9.17	10.85	10.74	13.14
2011	11.29	11.84	10.58	11.86	11.29	12.80	12.05	8.49	11.79	11.02	12.02
2009	10.42	12.44	9.92	10.60	10.42	11.79	10.97	8.55	10.79	9.96	10.63

* See Table V-A (page 11) for explanations.
Note: Blue font identifies data that are also presented in the prior halves' data at bottom of table.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

June 30, 2014	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	1.03	0.04	1.54	0.71	0.67	0.87	0.38	1.31	1.31	1.58
Construction and development	0.52	0.00	0.65	0.87	0.49	0.50	0.84	1.23	1.12	0.48
Nonfarm nonresidential	0.40	0.00	0.33	0.65	0.40	0.41	0.67	0.96	0.96	0.29
Multifamily residential real estate	0.19	0.00	0.04	0.53	0.22	0.36	0.28	0.83	0.64	0.21
Home equity loans	0.66	0.65	0.94	0.44	0.54	0.60	0.42	0.36	0.92	0.69
Other 1-4 family residential	1.75	0.03	2.54	1.22	1.18	0.97	0.33	1.75	1.60	2.46
Commercial and industrial loans	0.26	0.77	0.30	0.94	0.25	0.40	0.21	1.31	0.98	0.17
Loans to individuals	1.28	1.08	1.39	1.38	1.12	1.36	0.72	1.48	1.92	1.74
Credit card loans	1.12	1.08	1.20	1.05	1.15	1.69	0.60	1.14	1.28	1.29
Other loans to individuals	1.44	1.18	1.72	1.41	1.12	1.07	0.76	1.51	1.93	1.83
All other loans and leases (including farm)	0.16	0.39	0.18	0.46	0.20	0.11	0.11	0.33	0.35	0.09
Total loans and leases	0.81	1.05	0.93	0.70	0.57	0.84	0.55	1.27	1.27	1.06
Percent of Loans Noncurrent**										
All real estate loans	3.82	0.58	5.84	1.29	2.27	3.38	1.83	2.13	2.09	6.48
Construction and development	2.77	0.00	1.50	2.26	2.95	2.73	8.16	4.32	4.42	1.90
Nonfarm nonresidential	1.60	3.61	1.04	1.86	1.54	1.82	4.07	2.13	2.39	1.71
Multifamily residential real estate	0.61	0.00	0.45	0.63	0.65	0.91	0.19	1.79	1.77	0.54
Home equity loans	2.66	0.00	3.62	1.00	1.49	2.10	2.29	0.80	0.64	3.67
Other 1-4 family residential	6.33	0.49	9.87	1.26	3.62	3.75	1.40	1.93	1.94	9.67
Commercial and industrial loans	0.58	0.82	0.50	1.39	0.67	1.36	0.50	1.65	1.80	0.39
Loans to individuals	0.90	1.02	1.03	0.54	0.82	1.03	0.77	0.66	0.91	0.73
Credit card loans	1.07	1.04	1.10	0.23	1.20	1.58	1.09	0.69	0.61	1.06
Other loans to individuals	0.74	0.73	0.91	0.57	0.77	0.53	0.68	0.66	0.92	0.67
All other loans and leases (including farm)	0.23	0.14	0.24	0.40	0.31	0.17	0.13	0.48	0.49	0.14
Total loans and leases	2.24	1.00	2.47	1.06	1.63	3.04	1.15	1.83	1.86	3.40
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.21	0.03	0.30	0.07	0.21	0.19	0.17	0.11	0.17	0.22
Construction and development	0.05	0.00	-0.26	-0.13	0.19	0.34	0.13	0.35	0.26	-0.53
Nonfarm nonresidential	0.11	0.00	-0.03	0.10	0.15	0.12	-0.04	0.12	0.22	-0.01
Multifamily residential real estate	0.02	0.00	0.00	0.14	0.02	0.09	0.00	-0.89	0.06	-0.01
Home equity loans	0.66	0.00	0.72	0.37	0.44	0.59	0.81	0.14	0.20	0.87
Other 1-4 family residential	0.21	0.03	0.29	0.12	0.25	0.17	0.08	0.12	0.15	0.16
Commercial and industrial loans	0.23	2.47	0.18	0.18	0.21	0.33	0.08	0.37	0.47	0.11
Loans to individuals	2.04	3.05	2.98	0.35	0.94	1.70	0.80	0.45	0.33	1.20
Credit card loans	3.33	3.11	3.93	0.83	3.63	2.84	2.16	1.75	1.45	3.45
Other loans to individuals	0.73	1.45	1.33	0.31	0.53	0.59	0.38	0.33	0.31	0.78
All other loans and leases (including farm)	0.08	0.00	0.07	0.00	0.15	0.06	0.06	0.66	0.00	0.04
Total loans and leases	0.51	2.98	0.74	0.10	0.26	0.26	0.50	0.21	0.21	0.30
Loans Outstanding (in billions)										
All real estate loans	$4,123.5	$0.3	$479.1	$94.2	$2,100.3	$238.7	$58.9	$12.5	$58.0	$1,081.5
Construction and development	223.2	0.0	6.5	4.9	164.1	4.9	1.3	0.9	3.2	37.4
Nonfarm nonresidential	1,125.5	0.0	36.8	25.7	809.9	21.3	5.4	4.5	14.2	207.7
Multifamily residential real estate	281.2	0.0	50.4	2.8	182.0	5.3	4.6	0.3	1.5	34.2
Home equity loans	499.2	0.0	84.8	1.8	206.4	14.5	8.6	0.4	2.4	180.3
Other 1-4 family residential	1,845.0	0.2	240.3	24.1	703.4	191.5	38.9	5.7	32.4	608.5
Commercial and industrial loans	1,664.1	37.3	279.7	19.7	814.6	8.0	9.0	2.3	6.4	487.1
Loans to individuals	1,366.7	427.3	254.3	6.4	282.6	12.5	81.0	1.7	6.2	294.8
Credit card loans	678.3	411.0	160.1	0.5	36.5	5.9	18.8	0.1	0.1	45.3
Other loans to individuals	688.4	16.3	94.1	5.9	246.1	6.5	62.2	1.6	6.1	249.6
All other loans and leases (including farm)	956.8	3.6	312.7	37.4	247.3	14.7	3.9	1.0	5.0	331.2
Total loans and leases (plus unearned income)	8,111.2	468.4	1,325.8	157.7	3,444.8	273.8	152.8	17.6	75.6	2,194.6
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	27,898.3	0.2	3,019.0	576.3	15,685.1	1,235.2	138.4	199.9	633.8	6,410.4
Construction and development	7,419.4	0.0	2.4	203.3	5,848.5	211.5	22.7	86.3	193.0	851.7
Nonfarm nonresidential	6,128.1	0.0	72.2	201.2	4,626.0	132.4	36.4	68.3	211.7	779.9
Multifamily residential real estate	611.2	0.0	2.0	20.5	455.7	15.1	0.9	5.5	14.3	97.3
1-4 family residential	6,223.6	0.2	666.3	107.2	3,410.4	406.6	67.1	37.8	202.2	1,325.8
Farmland	289.4	0.0	0.0	43.9	207.3	2.2	0.2	2.0	12.7	21.2
GNMA properties	7,164.6	0.0	2,216.0	0.2	1,137.4	467.4	11.0	0.0	0.0	3,332.6

* Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):
Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.
International Banks - Banks with assets greater than $10 billion and more than 25 percent of total assets in foreign offices.
Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.
Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.
Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.
Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.
Other Specialized < $1 Billion - Institutions with assets less than $1 billion, whose loans and leases are less than 40 percent of total assets.
All Other < $1 billion - Institutions with assets less than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
All Other > $1 billion - Institutions with assets greater than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

June 30, 2014	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	1.03	1.26	0.74	0.63	1.19	0.69	1.18	1.05	1.52	0.86	0.48
Construction and development	0.52	0.83	0.66	0.47	0.47	0.62	0.53	0.53	0.41	0.54	0.35
Nonfarm nonresidential	0.40	1.12	0.56	0.38	0.32	0.44	0.40	0.46	0.29	0.46	0.30
Multifamily residential real estate	0.19	0.65	0.48	0.18	0.15	0.16	0.29	0.17	0.16	0.43	0.19
Home equity loans	0.66	0.72	0.54	0.53	0.68	0.46	0.73	0.81	0.67	0.51	0.39
Other 1-4 family residential	1.75	1.70	1.07	1.12	1.97	1.10	1.86	1.72	2.68	1.55	0.75
Commercial and industrial loans	0.26	1.25	0.64	0.43	0.21	0.30	0.15	0.33	0.24	0.39	0.27
Loans to individuals	1.28	1.95	1.57	1.41	1.26	1.04	1.90	1.25	1.37	0.88	0.97
Credit card loans	1.12	2.14	1.43	1.77	1.10	0.90	1.66	0.91	1.25	0.60	1.28
Other loans to individuals	1.44	1.95	1.58	1.24	1.44	1.41	2.01	1.36	1.51	1.02	0.72
All other loans and leases (including farm)	0.16	0.46	0.37	0.26	0.14	0.09	0.07	0.31	0.12	0.19	0.28
Total loans and leases	0.81	1.21	0.75	0.63	0.84	0.65	0.92	0.81	1.02	0.72	0.53
Percent of Loans Noncurrent**											
All real estate loans	3.82	1.94	1.75	2.24	4.72	2.48	5.10	4.26	5.20	2.17	1.51
Construction and development	2.77	3.70	3.44	3.27	2.21	3.57	3.29	2.98	2.19	1.84	2.42
Nonfarm nonresidential	1.60	2.40	1.81	1.59	1.49	1.87	1.54	1.82	1.58	1.35	1.18
Multifamily residential real estate	0.61	2.10	1.18	0.68	0.47	0.43	0.64	0.79	0.81	0.90	0.45
Home equity loans	2.66	1.12	0.89	1.08	2.95	1.96	3.50	2.73	2.74	1.82	1.02
Other 1-4 family residential	6.33	1.87	1.62	3.47	7.65	3.52	7.93	7.14	8.89	3.47	1.96
Commercial and industrial loans	0.58	1.76	1.44	1.02	0.46	0.75	0.46	0.60	0.54	0.70	0.56
Loans to individuals	0.90	0.83	1.12	0.70	0.91	0.90	0.97	0.77	1.07	0.65	0.77
Credit card loans	1.07	0.74	0.93	1.40	1.06	0.94	1.31	0.99	1.14	1.08	1.15
Other loans to individuals	0.74	0.83	1.13	0.39	0.75	0.80	0.80	0.70	0.97	0.43	0.45
All other loans and leases (including farm)	0.23	0.64	0.47	0.41	0.20	0.38	0.14	0.12	0.28	0.26	0.35
Total loans and leases	2.24	1.69	1.61	1.84	2.39	1.63	2.90	2.40	2.79	1.58	1.06
Percent of Loans Charged-Off (net, YTD)											
All real estate loans	0.21	0.16	0.16	0.15	0.24	0.20	0.28	0.26	0.23	0.10	0.04
Construction and development	0.05	0.16	0.23	0.10	-0.05	0.43	0.15	0.11	-0.39	0.00	-0.22
Nonfarm nonresidential	0.11	0.20	0.15	0.14	0.08	0.16	0.16	0.15	0.01	0.07	0.05
Multifamily residential real estate	0.02	0.08	0.14	0.05	-0.01	-0.02	0.04	0.06	0.00	0.07	0.00
Home equity loans	0.66	0.19	0.21	0.27	0.73	0.40	0.91	0.64	0.75	0.52	0.13
Other 1-4 family residential	0.21	0.18	0.17	0.19	0.22	0.22	0.19	0.25	0.28	0.12	0.05
Commercial and industrial loans	0.23	0.29	0.35	0.22	0.22	0.38	0.15	0.24	0.15	0.16	0.35
Loans to individuals	2.04	0.40	0.65	1.54	2.11	2.34	1.72	1.25	2.78	1.04	1.75
Credit card loans	3.33	3.02	3.80	3.62	3.32	2.90	3.74	3.13	4.04	2.04	3.37
Other loans to individuals	0.73	0.37	0.44	0.58	0.77	0.82	0.71	0.63	1.14	0.53	0.41
All other loans and leases (including farm)	0.08	0.00	0.14	0.15	0.07	0.10	0.04	0.12	0.05	0.16	0.09
Total loans and leases	0.51	0.18	0.20	0.26	0.59	0.73	0.42	0.36	0.63	0.21	0.49
Loans Outstanding (in billions)											
All real estate loans	$4,123.5	$45.7	$607.9	$712.8	$2,757.2	$831.9	$917.2	$796.7	$819.4	$340.9	$417.4
Construction and development	223.2	2.7	50.7	55.6	114.2	42.4	49.2	35.3	33.1	43.7	19.6
Nonfarm nonresidential	1,125.5	12.5	240.1	290.7	582.2	257.4	231.6	185.0	166.3	132.1	153.1
Multifamily residential real estate	281.2	1.4	31.6	62.7	185.6	98.7	34.8	75.6	24.5	11.9	35.7
Home equity loans	499.2	1.2	27.4	46.0	424.5	90.5	130.4	126.2	104.4	19.1	28.6
Other 1-4 family residential	1,845.0	20.5	216.9	240.7	1,367.0	338.9	461.3	354.2	399.4	120.6	170.6
Commercial and industrial loans	1,664.1	8.1	105.2	161.1	1,389.8	256.1	397.1	345.0	353.1	117.1	195.8
Loans to individuals	1,366.7	4.1	35.2	69.5	1,257.9	385.8	244.0	202.9	294.0	53.7	186.4
Credit card loans	678.3	0.0	2.2	21.7	654.4	282.0	79.6	50.4	164.2	18.0	84.1
Other loans to individuals	688.4	4.1	33.0	47.8	603.5	103.8	164.4	152.4	129.8	35.7	102.4
All other loans and leases (including farm)	956.8	8.1	45.2	51.6	851.9	153.8	208.9	233.5	267.8	37.3	55.6
Total loans and leases (plus unearned income)	8,111.2	66.1	793.5	994.9	6,256.7	1,627.6	1,767.2	1,578.0	1,734.2	549.0	855.3
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	27,898.3	770.3	7,116.0	5,721.6	14,290.4	3,295.7	6,365.2	7,073.8	6,345.1	3,232.5	1,586.0
Construction and development	7,419.4	261.6	3,233.6	2,243.3	1,680.9	755.0	2,125.8	1,003.1	1,526.8	1,360.5	648.2
Nonfarm nonresidential	6,128.1	257.5	2,347.7	1,756.8	1,766.1	876.6	1,270.0	1,297.2	1,124.6	1,067.1	492.6
Multifamily residential real estate	611.2	31.0	179.0	144.5	256.8	187.8	79.5	114.0	135.5	66.8	27.6
1-4 family residential	6,223.6	204.5	1,210.9	1,144.2	3,663.9	1,175.4	1,595.3	1,527.8	960.1	589.6	375.4
Farmland	289.4	15.6	143.1	89.9	40.7	22.7	70.4	54.4	45.7	75.1	21.1
GNMA properties	7,164.6	0.1	1.6	342.8	6,820.0	278.2	1,224.1	3,077.3	2,490.5	73.4	21.0

*** Regions:**
New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas
San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

Table VI-A. Derivatives, All FDIC-Insured Call Report Filers

(dollar figures in millions; notional amounts unless otherwise indicated)	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	% Change 13Q2-14Q2	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion
ALL DERIVATIVE HOLDERS										
Number of institutions reporting derivatives	1,405	1,398	1,389	1,424	1,412	-0.5	73	853	378	101
Total assets of institutions reporting derivatives	$13,507,684	$13,234,405	$13,064,419	$12,906,255	$12,690,326	6.4	$5,106	$353,901	$1,086,400	$12,062,276
Total deposits of institutions reporting derivatives	10,163,264	9,974,664	9,855,694	9,682,692	9,410,509	8.0	4,316	291,577	860,454	9,006,917
Total derivatives	239,197,271	233,457,327	238,737,897	243,276,753	236,532,240	1.1	276	22,121	99,607	239,075,268
Derivative Contracts by Underlying Risk Exposure										
Interest rate	191,551,724	185,829,933	194,555,371	195,710,387	188,190,450	1.8	275	20,007	92,219	191,439,223
Foreign exchange*	33,401,040	32,994,578	29,668,744	31,200,455	31,471,711	6.1	0	1,946	6,313	33,392,780
Equity	2,198,432	2,151,169	2,059,611	2,177,583	2,120,550	3.7	0	72	443	2,197,916
Commodity & other (excluding credit derivatives)	1,214,397	1,263,060	1,208,874	1,339,676	1,367,298	-11.2	0	1	139	1,214,256
Credit	10,831,679	11,218,586	11,245,297	12,848,651	13,382,231	-19.1	0	95	492	10,831,092
Total	239,197,271	233,457,327	238,737,897	243,276,753	236,532,240	1.1	276	22,121	99,607	239,075,268
Derivative Contracts by Transaction Type										
Swaps	146,467,569	139,451,086	150,590,971	150,061,947	141,026,681	3.9	44	7,320	50,242	146,409,963
Futures & forwards	45,312,386	44,424,250	42,022,121	42,067,188	43,970,239	3.1	77	7,851	26,312	45,278,146
Purchased options	17,296,921	17,908,952	16,870,263	17,637,787	17,680,639	-2.2	20	781	4,802	17,291,317
Written options	16,872,663	17,629,522	16,929,743	17,784,103	17,800,582	-5.2	135	6,034	16,391	16,850,103
Total	225,949,539	219,413,810	226,413,097	227,551,024	220,478,141	2.5	276	21,986	97,747	225,829,530
Fair Value of Derivative Contracts										
Interest rate contracts	72,249	72,732	71,270	64,832	60,694	19.0	1	36	118	72,094
Foreign exchange contracts	4,729	5,563	5,991	-10,390	-4,673	N/M	0	0	-17	4,746
Equity contracts	426	1,548	32	-1,928	1,396	-69.5	0	3	6	417
Commodity & other (excluding credit derivatives)	965	-893	1,350	1,181	1,298	-25.7	0	0	-5	970
Credit derivatives as guarantor	92,998	80,869	74,838	27,220	-8,794	N/M	0	0	0	92,999
Credit derivatives as beneficiary	-88,369	-77,438	-71,220	-22,646	13,953	N/M	0	0	-25	-88,343
Derivative Contracts by Maturity**										
Interest rate contracts < 1 year	81,212,239	77,936,411	77,933,066	91,852,227	88,198,011	-7.9	78	5,668	20,248	81,186,245
1-5 years	38,531,976	37,667,856	44,472,861	32,988,175	30,694,796	25.5	31	3,424	24,383	38,504,138
> 5 years	24,201,832	24,282,239	24,885,748	21,753,489	20,836,833	16.1	32	4,094	24,036	24,173,669
Foreign exchange contracts < 1 year	20,747,894	20,099,306	18,349,410	18,975,694	19,247,580	7.8	0	1,424	3,612	20,742,857
1-5 years	2,420,184	2,299,021	2,325,624	2,870,026	2,737,466	-11.6	0	0	50	2,420,134
> 5 years	1,016,489	974,381	1,029,302	1,503,977	1,456,229	-30.2	0	0	0	1,016,489
Equity contracts < 1 year	698,674	673,720	645,046	694,983	651,964	7.2	0	3	97	698,574
1-5 years	292,130	305,141	291,190	309,578	270,282	8.1	0	11	95	292,024
> 5 years	81,116	89,804	135,907	88,294	80,891	0.3	0	25	20	81,071
Commodity & other contracts < 1 year	360,565	379,469	338,091	375,292	424,508	-15.1	0	0	77	360,489
1-5 years	150,937	140,984	163,812	175,069	163,093	-7.5	0	0	4	150,933
> 5 years	18,082	18,960	5,903	16,142	15,300	18.2	0	0	0	18,082
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%)	23.5	23.5	26.1	27.1	30.5		0.1	0.3	0.6	26.6
Total potential future exposure to tier 1 capital (%)	55.1	56.7	58.7	62.4	62.8		0.1	0.3	0.5	62.5
Total exposure (credit equivalent amount) to tier 1 capital (%)	78.7	80.3	84.8	89.5	93.2		0.1	0.6	1.1	89.1
Credit losses on derivatives***	68.7	12.9	264.2	180.7	145.0	-52.6	0.0	0.5	0.1	68.1
HELD FOR TRADING										
Number of institutions reporting derivatives	247	243	252	241	241	2.5	10	85	89	63
Total assets of institutions reporting derivatives	10,881,762	10,629,709	10,550,446	10,392,702	10,153,698	7.2	676	39,978	314,445	10,526,664
Total deposits of institutions reporting derivatives	8,185,857	7,997,408	7,964,587	7,786,249	7,519,448	8.9	570	33,167	245,107	7,907,013
Derivative Contracts by Underlying Risk Exposure										
Interest rate	188,491,623	182,694,007	190,612,660	191,930,195	184,196,259	2.3	102	2,134	22,799	188,466,588
Foreign exchange	30,165,667	29,320,112	27,745,453	27,518,482	28,043,313	7.6	0	0	2,510	30,163,156
Equity	2,182,209	2,135,205	2,042,887	2,162,079	2,106,250	3.6	0	0	120	2,182,089
Commodity & other	1,206,811	1,256,235	1,200,547	1,330,681	1,356,542	-11.0	0	0	48	1,206,763
Total	222,046,310	215,405,557	221,601,547	222,941,437	215,702,364	2.9	102	2,135	25,477	222,018,596
Trading Revenues: Cash & Derivative Instruments										
Interest rate	3,041	1,847	403	3,129	2,608	16.6	0	0	12	3,029
Foreign exchange	1,962	2,201	1,532	499	3,139	-37.5	0	0	1	1,960
Equity	727	603	488	231	927	-21.6	0	0	6	721
Commodity & other (including credit derivatives)	679	1,531	483	657	450	50.9	0	0	0	679
Total trading revenues	6,409	6,183	2,906	4,517	7,124	-10.0	0	0	20	6,389
Share of Revenue										
Trading revenues to gross revenues (%)	5.4	5.4	2.5	4.0	5.9		0.0	0.0	0.5	5.6
Trading revenues to net operating revenues (%)	24.4	26.9	11.3	20.9	30.5		0.0	0.2	3.2	25.0
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives	1,286	1,281	1,253	1,287	1,272	1.1	63	785	343	95
Total assets of institutions reporting derivatives	13,214,332	12,928,682	12,754,084	12,611,625	12,298,769	7.4	4,431	326,607	983,031	11,900,263
Total deposits of institutions reporting derivatives	9,932,683	9,732,821	9,611,265	9,449,509	9,103,518	9.1	3,746	268,797	780,293	8,879,847
Derivative Contracts by Underlying Risk Exposure										
Interest rate	3,060,101	3,135,926	3,942,711	3,780,192	3,994,191	-23.4	173	17,872	69,420	2,972,635
Foreign exchange	819,319	849,536	843,789	804,895	756,530	8.3	0	1,906	2,436	814,978
Equity	16,223	15,965	16,724	15,504	14,300	13.4	0	72	323	15,828
Commodity & other	7,586	6,825	8,327	8,995	10,756	-29.5	0	1	92	7,493
Total notional amount	3,903,228	4,008,253	4,811,550	4,609,587	4,775,777	-18.3	174	19,851	72,270	3,810,934

All line items are reported on a quarterly basis. N/M - Not Meaningful

* Include spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.

** Derivative contracts subject to the risk-based capital requirements for derivatives.

*** The reporting of credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and to those banks filing the FFIEC 041 report form that have $300 million or more in total assets.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Call Report Filers)

(dollar figures in millions)	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	% Change 13Q2-14Q2	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	75	78	83	82	88	-14.8	0	28	15	32
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	$843,849	$598,531	$610,275	$625,642	$634,877	32.9	$0	$2,980	$14,014	$826,856
Home equity loans	39	41	42	44	46	-15.2	0	0	0	39
Credit card receivables	16,692	16,349	19,405	17,115	17,945	-7.0	0	128	0	16,565
Auto loans	4,312	4,735	4,676	4,708	3,860	11.7	0	865	0	3,446
Other consumer loans	4,945	4,462	4,607	4,790	4,938	0.1	0	2	0	4,943
Commercial and industrial loans	1,217	1,881	1,987	3,945	4,472	-72.8	0	15	0	1,202
All other loans, leases, and other assets	94,782	96,092	101,456	104,890	99,226	-4.5	0	3,527	4,947	86,307
Total securitized and sold	965,835	722,091	742,448	761,133	765,366	26.2	0	7,517	18,960	939,358
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	2,908	2,912	2,794	2,927	3,086	-5.8	0	6	54	2,848
Home equity loans	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables	1,450	1,455	603	554	557	160.3	0	57	0	1,393
Auto loans	0	5	0	0	0	0.0	0	0	0	0
Other consumer loans	192	174	164	168	168	14.3	0	0	0	192
Commercial and industrial loans	25	38	27	20	33	-24.2	0	0	0	25
All other loans, leases, and other assets	1,416	1,308	1,633	1,729	1,861	-23.9	0	1	0	1,415
Total credit exposure	5,991	5,892	5,221	5,397	5,705	5.0	0	64	54	5,873
Total unused liquidity commitments provided to institution's own securitizations	17	120	121	121	121	-86.0	0	0	0	17
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans	3.5	3.3	4.3	4.1	4.3		0.0	1.3	4.8	3.5
Home equity loans	9.1	8.8	10.4	10.7	9.5		0.0	0.0	0.0	9.1
Credit card receivables	0.8	0.9	0.8	1.0	0.8		0.0	1.2	0.0	0.8
Auto loans	0.7	0.6	1.0	0.6	0.4		0.0	0.0	0.0	0.9
Other consumer loans	5.5	5.2	5.6	5.4	6.0		0.0	0.0	0.0	5.5
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.4	0.3	0.8	1.1	1.2		0.0	0.5	0.2	0.4
Total loans, leases, and other assets	3.2	2.9	3.7	3.6	3.8		0.0	0.8	3.6	3.2
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans	2.3	3.3	3.4	3.7	4.2		0.0	1.3	6.4	2.2
Home equity loans	40.3	37.8	36.5	34.4	32.3		0.0	0.0	0.0	40.3
Credit card receivables	0.6	0.7	0.6	0.6	0.4		0.0	1.4	0.0	0.6
Auto loans	0.1	0.1	0.1	0.0	0.0		0.0	0.0	0.0	0.1
Other consumer loans	6.3	6.7	7.3	7.1	6.3		0.0	0.0	0.0	6.3
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	3.3	0.0	0.0
All other loans, leases, and other assets	9.2	8.7	9.2	8.9	10.2		0.0	0.9	1.8	10.0
Total loans, leases, and other assets	2.9	3.9	4.1	4.3	4.9		0.0	1.0	5.2	2.9
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)										
1-4 family residential loans	0.2	0.1	0.9	0.7	0.5		0.0	0.1	0.0	0.2
Home equity loans	0.1	-0.1	0.2	0.3	0.2		0.0	0.0	0.0	0.1
Credit card receivables	1.2	0.6	2.2	1.9	1.3		0.0	3.2	0.0	1.2
Auto loans	0.1	0.0	0.2	0.1	0.1		0.0	0.0	0.0	0.1
Other consumer loans	0.3	0.2	0.9	0.7	0.4		0.0	0.0	0.0	0.3
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.9	0.7	0.9	0.6	0.5		0.0	0.0	0.0	1.0
Total loans, leases, and other assets	0.3	0.2	0.9	0.7	0.5		0.0	0.1	0.0	0.3
Seller's Interests in Institution's Own Securitizations - Carried as Loans										
Home equity loans	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables	12,905	13,116	12,850	13,451	13,076	-1.3	0	281	0	12,625
Commercial and industrial loans	2	2	3	3	3	-33.3	0	2	0	0
Seller's Interests in Institution's Own Securitizations - Carried as Securities										
Home equity loans	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0
Commercial and industrial loans	0	48	52	0	0	0.0	0	0	0	0
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales	1,100	1,087	1,083	1,066	1,065	3.3	150	730	171	49
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	42,185	43,675	46,491	48,349	48,783	-13.5	1,697	13,324	8,212	18,952
Home equity, credit card receivables, auto, and other consumer loans	727	755	776	802	829	-12.3	0	2	5	719
Commercial and industrial loans	53	69	62	64	71	-25.4	0	14	38	0
All other loans, leases, and other assets	65,112	65,974	67,794	62,143	63,988	1.8	1	82	192	64,836
Total sold and not securitized	108,076	110,473	115,122	111,358	113,671	-4.9	1,698	13,422	8,448	84,508
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	9,587	9,529	10,728	11,607	12,225	-21.6	104	2,047	2,896	4,541
Home equity, credit card receivables, auto, and other consumer loans	141	155	160	156	151	-6.6	0	2	3	137
Commercial and industrial loans	24	33	27	29	34	-29.4	0	14	9	0
All other loans, leases, and other assets	16,849	16,970	17,058	15,316	15,360	9.7	1	17	55	16,776
Total credit exposure	26,602	26,688	27,973	27,109	27,769	-4.2	106	2,079	2,964	21,453
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others	135	138	148	154	157	-14.0	12	76	28	19
Total credit exposure	42,375	42,058	44,707	44,848	45,095	-6.0	9	189	323	41,854
Total unused liquidity commitments	1,122	1,017	981	923	828	35.5	0	0	0	1,121
Other										
Assets serviced for others*	4,458,868	4,556,305	4,712,564	4,773,340	4,885,223	-8.7	5,465	135,523	306,130	4,011,749
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others	12,129	12,110	12,317	13,049	11,316	7.2	5	0	4	12,121
Unused liquidity commitments to conduits sponsored by institutions and others	28,274	30,515	31,113	40,363	51,893	-45.5	0	0	667	27,607
Net servicing income (for the quarter)	2,769	2,141	4,627	3,182	5,827	-52.5	7	175	151	2,435
Net securitization income (for the quarter)	316	283	395	352	273	15.8	0	15	10	291
Total credit exposure to Tier 1 capital (%)**	5.4	5.4	5.8	5.9	6.0		0.8	1.8	2.2	6.3

* The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than $10 million.

** Total credit exposure includes the sum of the three line items titled “Total credit exposure” reported above.

COMMUNITY BANK PERFORMANCE

- ***Net Income of $4.9 Billion Is $166 Million Above Year-Ago Level[1]***
- ***Higher Net Interest Income and Lower Loan-Loss Provisions Boost Earnings***
- ***Net Interest Margin Increases From Previous Quarter and a Year Ago***
- ***Loan Balances Increase, Outpacing Industry Growth***

Nearly 60 Percent of Community Banks Increase Earnings in Second Quarter

Improved net interest income and lower loan-loss provisions contributed to community banks' earnings of $4.9 billion, up $166 million (3.5 percent) from second quarter 2013. Well over half (58 percent) of all community banks reported higher earnings compared with the year-ago quarter, and those reporting a loss fell to 7 percent—the lowest level since second quarter 2006.

Net Interest Margin Is Nearly Half a Percentage Point Higher Than the Industry

Net interest income totaled $16.8 billion for the quarter, up $997 million (6.3 percent) from second quarter 2013. Almost three out of every four community banks (72 percent) reported a year-over-year increase. Similar to community banks, the industry improved net interest income from second quarter 2013, but at a lower rate. Community banks reported net interest margin (NIM) of 3.61 percent, up 4 basis points from second quarter 2013, as average funding costs declined more rapidly than average asset yields. For the past five consecutive quarters, NIM widened between community banks and the industry, as community banks posted a NIM 46 basis points above the industry average. Nearly 80 percent of community banks reported NIM above the industry's 3.15 percent.

Lower Gains on Loan Sales and Higher Expenses Reduce Earnings

Noninterest income was $4.5 billion in the second quarter, down $475 million (9.5 percent) from second quarter 2013, as revenue from loan sales—including mortgage sales—declined by $334 million (28.7 percent) from the year before. The industry experienced a lower rate decline (5 percent) in noninterest income, but similar to community banks, loan sales income declined. Noninterest expense at community banks was $348 million (2.4 percent) higher than in second quarter 2013. About 62 percent of the increase in noninterest expense was accounted for by higher salary and employee benefits; however, average assets per employee rose to $4.5 million from $4.3 million one year earlier.

[1] Prior period dollar amounts used for comparisons are merger-adjusted, meaning the same institutions identified as community banks in the current quarter are used to determine dollar amounts in prior quarters, after taking acquisitions into account. Performance ratios are not merger-adjusted.

Chart 1

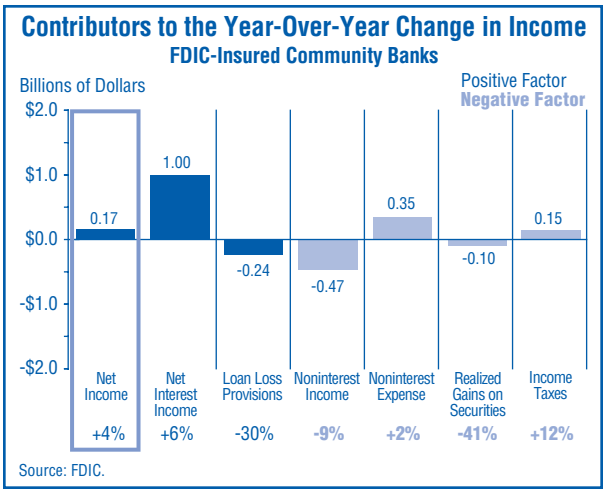
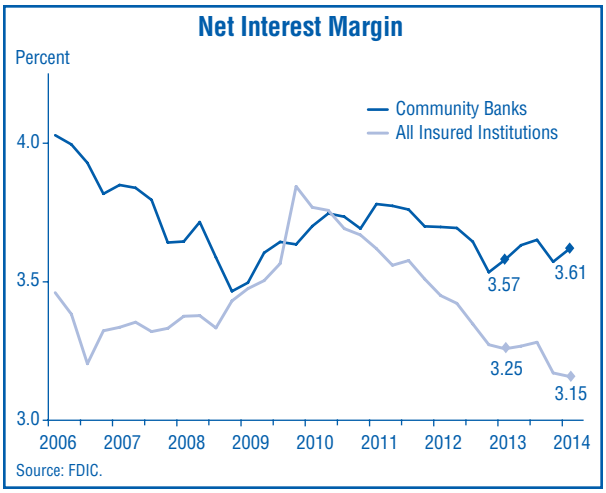


Chart 2



Loan Growth Increases From the Previous Quarter and a Year Ago

Loan balances totaled $1.3 trillion in the second quarter, up $37.7 billion (2.9 percent) from first quarter 2014. Community banks reported higher loan growth than the industry, which grew at 2.3 percent. All major loan categories increased from the previous quarter, led by 1-to-4 family (up $9.2 billion, or 2.7 percent), commercial and industrial loans (up $6.5 billion, or 3.7 percent), and nonfarm nonresidential loans (up $6 billion, or 1.6 percent). Year-over-year loan growth at community banks (7.6 percent) outpaced the industry (4.9 percent). Close to 50 percent of the annual increase at community banks was accounted for by nonfarm nonresidential loans (up $23.9 billion, or 6.5 percent) and commercial and industrial loans (up $17.5 billion, or 10.5 percent). Total unused construction and development commitments increased by $4 billion (7 percent) to $61 billion, indicating stronger construction and development lending in future quarters.

Community Banks Continue to Support Small Loans to Businesses

Small loans to businesses—loans to commercial borrowers up to $1 million, and farm loans up to $500,000—totaled $297.9 billion at community banks in the second quarter, up $5 billion (1.7 percent) from the previous quarter and $9 billion (3.1 percent) from second quarter 2013. Close to 62 percent of community banks increased small loans to businesses from the first quarter, led by agricultural production loans (up $2.1 billion, or 9.1 percent) and commercial and industrial loans ($1.7 billion, or 1.9 percent). As in community banks, the industry increased small loans to businesses from the year before, but at a slower rate (1.1 percent). Almost half (48 percent) of the year-over-year increase in small loans to businesses at community banks was driven by an increase in commercial and industrial loans. Community banks continued to hold 45 percent of small loans to businesses.

Noncurrent Loan Rate Declines to Pre-Crisis Level

Community banks reported the noncurrent rate of 1.54 percent in the second quarter, the lowest level since fourth quarter 2007. The noncurrent rate fell 14 basis points from the first quarter, 58 basis points from the previous year, and is 70 basis points below the industry rate of 2.24 percent. The noncurrent rate declined for all major loan categories from the first quarter. Although construction and development loans have the highest noncurrent rate (3.36 percent), that rate has declined for 15 consecutive quarters. The coverage ratio (loan loss reserves relative to noncurrent loans) for community banks improved from 91.09 percent to 96.08 percent during the quarter, and is well above the industry average of 70.54 percent. Despite a small decline in reserves during the quarter ($172 million, or 0.9 percent), the coverage ratio has increased for 11 consecutive quarters.

Community Banks Decline From the Previous Quarter

The number of FDIC-insured community banks totaled 6,163 in the second quarter of 2014, down 71 from the first quarter. Seven community banks failed during the quarter, while 40 merged. Community banks continued to represent 93 percent of all insured institutions, with $2 trillion in assets, $1.7 trillion in deposits, and $224 billion in equity capital.

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Chart 3

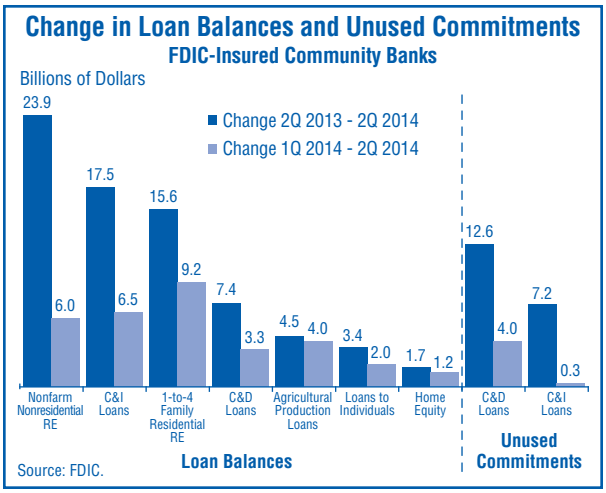

Chart 4

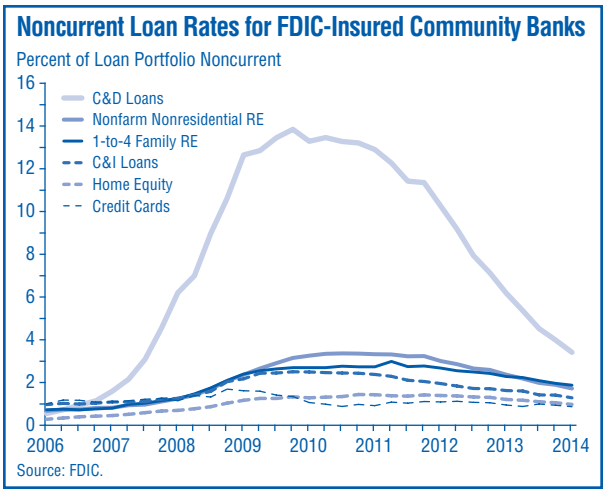

TABLE I-B. Selected Indicators, FDIC-Insured Community Banks

	2014*	2013*	2013	2012	2011	2010	2009
Return on assets (%)	0.93	0.93	0.90	0.83	0.55	0.21	-0.15
Return on equity (%)	8.52	8.55	8.29	7.67	5.17	2.08	-1.48
Core capital (leverage) ratio (%)	10.59	10.41	10.44	10.18	9.98	9.56	9.30
Noncurrent assets plus other real estate owned to assets (%)	1.51	2.02	1.73	2.27	2.84	3.25	3.27
Net charge-offs to loans (%)	0.18	0.31	0.32	0.59	0.87	1.11	1.26
Asset growth rate (%)	0.50	0.74	0.25	2.24	1.47	-2.30	3.54
Net interest margin (%)	3.59	3.55	3.59	3.67	3.74	3.71	3.56
Net operating income growth (%)	1.49	21.59	14.78	56.54	204.98	204.72	-162.26
Number of institutions reporting	6,163	6,425	6,307	6,543	6,800	7,017	7,254
Percentage of unprofitable institutions (%)	6.85	8.45	8.42	11.16	16.35	22.15	29.74

* Through June 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending June 30.

TABLE II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks

(dollar figures in millions)	2nd Quarter 2014	1st Quarter 2014	2nd Quarter 2013	%Change 13Q2-14Q2
Number of institutions reporting	6,163	6,234	6,425	-4.1
Total employees (full-time equivalent)	448,004	449,907	463,121	-3.3
CONDITION DATA				
Total assets	$2,022,294	$2,035,133	$2,012,239	0.5
Loans secured by real estate	1,004,765	999,143	981,625	2.4
1-4 Family residential mortgages	354,196	349,756	350,425	1.1
Nonfarm nonresidential	392,685	394,589	388,116	1.2
Construction and development	79,632	77,818	75,795	5.1
Home equity lines	47,982	47,457	49,063	-2.2
Commercial & industrial loans	184,975	182,137	175,618	5.3
Loans to individuals	57,006	55,452	54,679	4.3
Credit cards	1,817	1,766	1,962	-7.4
Farm loans	43,640	39,670	39,385	10.8
Other loans & leases	28,584	27,983	27,605	3.5
Less: Unearned income	555	553	512	8.4
Total loans & leases	1,318,416	1,303,854	1,278,401	3.1
Less: Reserve for losses	19,542	20,020	21,330	-8.4
Net loans and leases	1,298,875	1,283,834	1,257,070	3.3
Securities	458,181	463,856	470,350	-2.6
Other real estate owned	10,011	10,817	13,215	-24.2
Goodwill and other intangibles	12,505	12,682	12,483	0.2
All other assets	242,723	263,943	259,121	-6.3
Total liabilities and capital	2,022,294	2,035,133	2,012,239	0.5
Deposits	1,664,159	1,688,062	1,663,419	0.0
Domestic office deposits	1,663,936	1,687,831	1,663,202	0.0
Foreign office deposits	222	231	217	2.7
Brokered deposits	56,185	56,085	52,112	7.8
Estimated insured deposits	1,303,756	1,327,026	1,331,162	-2.1
Other borrowed funds	118,992	111,548	114,843	3.6
Subordinated debt	420	432	505	-16.8
All other liabilities	14,826	14,197	15,790	-6.1
Total equity capital (includes minority interests)	223,897	220,895	217,682	2.9
Bank equity capital	223,751	220,749	217,532	2.9
Loans and leases 30-89 days past due	8,946	10,815	10,501	-14.8
Noncurrent loans and leases	20,339	21,978	27,079	-24.9
Restructured loans and leases	11,127	11,467	12,881	-13.6
Mortgage-backed securities	201,690	204,670	210,999	-4.4
Earning assets	1,866,002	1,876,767	1,852,552	0.7
FHLB Advances	87,114	80,233	79,877	9.1
Unused loan commitments	242,722	244,854	245,633	-1.2
Trust assets	243,763	237,567	215,222	13.3
Assets securitized and sold	15,438	15,169	17,274	-10.6
Notional amount of derivatives	49,048	44,467	54,988	-10.8

INCOME DATA	First Half 2014	First Half 2013	%Change	2nd Quarter 2014	2nd Quarter 2013	%Change 13Q2-14Q2
Total interest income	$37,601	$38,344	-1.9	$19,027	$19,244	-1.1
Total interest expense	4,560	5,490	-16.94	2,277	2,683	-15.1
Net interest income	33,041	32,854	0.6	16,750	16,561	1.1
Provision for loan and lease losses	1,089	1,718	-36.6	559	862	-35.2
Total noninterest income	8,719	10,076	-13.5	4,535	5,217	-13.1
Total noninterest expense	29,025	29,850	-2.8	14,632	14,989	-2.4
Securities gains (losses)	280	534	-47.6	139	246	-43.6
Applicable income taxes	2,661	2,558	4.0	1,371	1,346	1.8
Extraordinary gains, net	8	16	-48.8	3	14	-78.3
Total net income (includes minority interests)	9,273	9,353	-0.9	4,866	4,840	0.5
Bank net income	9,264	9,342	-0.8	4,860	4,835	0.5
Net charge-offs	1,159	1,974	-41.3	622	1,060	-41.3
Cash dividends	4,322	3,935	9.8	2,339	2,168	7.9
Retained earnings	4,942	5,407	-8.6	2,521	2,666	-5.4
Net operating income	9,049	8,916	1.5	4,753	4,630	2.7

N/M - Not Meaningful

TABLE III-B. Aggregate Condition and Income Data by Geographic Region, FDIC-Insured Community Banks

Second Quarter 2014 (dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	6,163	722	769	1,376	1,566	1,314	416
Total employees (full-time equivalent)	448,004	86,180	59,009	97,748	73,048	96,466	35,553
CONDITION DATA							
Total assets	$2,022,294	$495,899	$249,577	$394,285	$320,145	$391,520	$170,869
Loans secured by real estate	1,004,765	282,009	132,912	196,551	138,831	171,513	82,949
1-4 Family residential mortgages	354,196	117,337	42,077	72,843	45,714	57,375	18,850
Nonfarm nonresidential	392,685	100,044	58,753	72,919	46,987	71,040	42,942
Construction and development	79,632	14,235	14,521	11,628	10,274	22,432	6,543
Home equity lines	47,982	15,576	7,706	11,404	4,400	4,315	4,582
Commercial & industrial loans	184,975	41,335	19,324	36,414	30,810	40,014	17,079
Loans to individuals	57,006	10,638	7,341	11,675	9,635	13,455	4,261
Credit cards	1,817	201	135	452	428	321	280
Farm loans	43,640	486	1,131	6,640	24,209	8,513	2,660
Other loans & leases	28,584	6,910	2,007	5,458	5,086	6,258	2,866
Less: Unearned income	555	144	97	63	25	118	109
Total loans & leases	1,318,416	341,234	162,618	256,676	208,547	239,635	109,706
Less: Reserve for losses	19,542	4,204	2,633	4,203	3,136	3,480	1,885
Net loans and leases	1,298,875	337,029	159,986	252,474	205,410	236,155	107,821
Securities	458,181	104,223	50,821	90,828	76,087	99,970	36,252
Other real estate owned	10,011	1,146	2,648	2,104	1,565	1,870	677
Goodwill and other intangibles	12,505	3,800	1,237	2,479	1,697	2,244	1,049
All other assets	242,723	49,700	34,885	46,401	35,385	51,281	25,070
Total liabilities and capital	2,022,294	495,899	249,577	394,285	320,145	391,520	170,869
Deposits	1,664,159	393,104	208,381	327,373	262,450	330,499	142,352
Domestic office deposits	1,663,936	392,999	208,309	327,348	262,450	330,499	142,332
Foreign office deposits	222	105	73	25	0	0	20
Brokered deposits	56,185	16,117	6,713	11,892	8,435	8,630	4,398
Estimated insured deposits	1,303,756	301,252	164,100	269,611	213,647	249,351	105,796
Other borrowed funds	118,992	42,766	11,940	20,585	20,664	16,347	6,689
Subordinated debt	420	204	58	104	7	5	43
All other liabilities	14,826	4,624	1,713	2,864	1,835	2,337	1,453
Total equity capital (includes minority interests)	223,897	55,201	27,484	43,360	35,189	42,332	20,331
Bank equity capital	223,751	55,155	27,474	43,304	35,186	42,302	20,329
Loans and leases 30-89 days past due	8,946	2,271	1,404	1,888	1,211	1,828	344
Noncurrent loans and leases	20,339	5,592	3,548	4,832	2,184	2,797	1,386
Restructured loans and leases	11,127	2,244	2,089	3,102	1,352	1,333	1,008
Mortgage-backed securities	201,690	57,778	22,565	36,890	27,008	39,128	18,320
Earning assets	1,866,002	460,702	227,761	362,962	296,520	360,282	157,774
FHLB Advances	87,114	34,317	8,914	14,204	14,024	12,061	3,594
Unused loan commitments	242,722	58,154	28,270	47,262	41,514	43,250	24,273
Trust assets	243,763	54,235	9,284	66,505	63,463	40,007	10,268
Assets securitized and sold	15,438	3,080	515	6,022	4,342	592	887
Notional amount of derivatives	49,048	15,591	6,433	10,302	6,013	8,329	2,380
INCOME DATA							
Total interest income	$19,027	$4,501	$2,449	$3,640	$3,025	$3,803	$1,609
Total interest expense	2,277	673	300	432	372	376	124
Net interest income	16,750	3,828	2,148	3,208	2,653	3,428	1,485
Provision for loan and lease losses	559	163	66	114	76	119	20
Total noninterest income	4,535	765	565	1,211	714	917	363
Total noninterest expense	14,632	3,206	1,994	3,006	2,221	2,928	1,277
Securities gains (losses)	139	69	16	17	11	20	6
Applicable income taxes	1,371	416	160	298	138	207	153
Extraordinary gains, net	3	0	1	2	0	0	0
Total net income (includes minority interests)	4,866	877	512	1,019	943	1,110	404
Bank net income	4,860	876	511	1,016	943	1,110	404
Net charge-offs	622	135	116	172	71	106	22
Cash dividends	2,339	271	151	542	590	519	266
Retained earnings	2,521	605	360	474	354	590	138
Net operating income	4,753	826	498	1,003	932	1,095	399

* See Table V-A (page 11) for explanations.

Table IV-B. Second Quarter 2014, FDIC-Insured Community Banks

	All Community Banks		Second Quarter 2014, Geographic Regions*					
	2nd Quarter 2014	1st Quarter 2014	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (annualized, %)								
Yield on earning assets	4.10	4.07	3.94	4.33	4.03	4.09	4.25	4.13
Cost of funding earning assets	0.49	0.50	0.59	0.53	0.48	0.50	0.42	0.32
Net interest margin	3.61	3.57	3.35	3.80	3.55	3.59	3.83	3.81
Noninterest income to assets	0.90	0.82	0.62	0.91	1.24	0.89	0.94	0.86
Noninterest expense to assets	2.91	2.91	2.61	3.21	3.07	2.78	3.01	3.03
Loan and lease loss provision to assets	0.11	0.11	0.13	0.11	0.12	0.10	0.12	0.05
Net operating income to assets	0.95	0.85	0.67	0.80	1.02	1.17	1.12	0.95
Pretax return on assets	1.24	1.12	1.05	1.08	1.34	1.35	1.35	1.32
Return on assets	0.97	0.87	0.71	0.82	1.04	1.18	1.14	0.96
Return on equity	8.82	8.04	6.45	7.55	9.53	10.86	10.63	8.10
Net charge-offs to loans and leases	0.19	0.17	0.16	0.29	0.27	0.14	0.18	0.08
Loan and lease loss provision to net charge-offs	89.84	100.97	120.52	56.76	66.67	107.23	112.21	92.52
Efficiency ratio	68.41	70.52	69.44	73.05	67.71	65.59	67.13	68.90
Net interest income to operating revenue	78.69	80.01	83.35	79.17	72.60	78.80	78.89	80.36
% of unprofitable institutions	6.99	7.59	8.03	10.66	7.92	4.34	5.18	11.06
% of institutions with earnings gains	57.59	53.99	53.46	59.69	54.36	58.30	60.35	60.10

Table V-B. First Half 2014, FDIC-Insured Community Banks

	All Community Banks		First Half 2014, Geographic Regions*					
	First Half 2014	First Half 2013	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (%)								
Yield on earning assets	4.09	4.15	3.93	4.32	4.01	4.08	4.23	4.08
Cost of funding earning assets	0.50	0.59	0.59	0.54	0.48	0.51	0.42	0.32
Net interest margin	3.59	3.55	3.34	3.78	3.53	3.57	3.80	3.76
Noninterest income to assets	0.87	1.00	0.62	0.84	1.19	0.90	0.89	0.84
Noninterest expense to assets	2.91	2.97	2.62	3.19	3.07	2.78	3.00	3.01
Loan and lease loss provision to assets	0.11	0.17	0.13	0.11	0.13	0.09	0.12	0.03
Net operating income to assets	0.91	0.89	0.66	0.74	0.95	1.13	1.09	0.94
Pretax return on assets	1.20	1.18	1.02	1.01	1.26	1.36	1.29	1.29
Return on assets	0.93	0.93	0.70	0.76	0.96	1.15	1.10	0.95
Return on equity	8.52	8.55	6.38	7.01	8.93	10.66	10.32	8.03
Net charge-offs to loans and leases	0.18	0.31	0.16	0.26	0.27	0.12	0.15	0.08
Loan and lease loss provision to net charge-offs	93.97	87.05	118.08	66.14	74.32	108.50	125.26	58.00
Efficiency ratio	69.17	69.21	70.04	74.08	68.85	65.80	68.01	69.59
Net interest income to operating revenue	79.12	76.53	83.43	80.48	73.12	78.49	79.66	80.63
% of unprofitable institutions	6.85	8.45	7.48	11.83	8.21	3.96	4.03	11.78
% of institutions with earnings gains	56.04	52.59	50.14	59.69	52.40	58.43	58.45	55.05

* See Table V-A (page 11) for explanations.

Table VI-B. Loan Performance, FDIC-Insured Community Banks

June 30, 2014	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due							
All loans secured by real estate	0.67	0.61	0.84	0.78	0.58	0.76	0.30
Construction and development	0.60	0.60	0.73	0.71	0.53	0.56	0.41
Nonfarm nonresidential	0.49	0.46	0.64	0.61	0.42	0.49	0.25
Multifamily residential real estate	0.30	0.20	0.38	0.51	0.25	0.61	0.07
Home equity loans	0.54	0.58	0.58	0.52	0.42	0.61	0.42
Other 1-4 family residential	1.01	0.87	1.27	1.12	0.89	1.23	0.38
Commercial and industrial loans	0.55	0.53	0.68	0.50	0.62	0.59	0.34
Loans to individuals	1.66	2.79	1.99	1.14	1.04	1.80	0.61
Credit card loans	1.67	3.05	1.37	1.09	2.64	1.03	1.00
Other loans to individuals	1.66	2.79	2.00	1.14	0.97	1.82	0.58
All other loans and leases (including farm)	0.34	0.28	0.38	0.30	0.40	0.32	0.27
Total loans and leases	0.68	0.67	0.86	0.74	0.58	0.76	0.31
Percent of Loans Noncurrent**							
All loans secured by real estate	1.72	1.78	2.31	2.14	1.19	1.29	1.34
Construction and development	3.36	3.67	5.30	4.42	2.77	1.82	2.67
Nonfarm nonresidential	1.66	1.67	1.99	2.26	1.28	1.21	1.37
Multifamily residential real estate	0.82	0.44	1.85	1.62	0.77	0.65	0.33
Home equity loans	0.92	0.98	0.94	1.15	0.57	0.63	0.75
Other 1-4 family residential	1.82	2.11	2.04	2.11	1.26	1.33	1.27
Commercial and industrial loans	1.22	1.12	1.41	1.41	1.18	1.05	1.34
Loans to individuals	0.86	0.84	2.42	0.47	0.53	0.71	0.45
Credit card loans	0.81	1.43	0.57	0.72	0.99	0.59	0.63
Other loans to individuals	0.86	0.83	2.46	0.46	0.51	0.71	0.43
All other loans and leases (including farm)	0.45	0.31	0.97	0.53	0.40	0.45	0.42
Total loans and leases	1.54	1.64	2.18	1.88	1.05	1.17	1.26
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.14	0.12	0.23	0.25	0.09	0.08	0.03
Construction and development	0.19	0.24	0.54	0.37	-0.10	0.07	-0.10
Nonfarm nonresidential	0.14	0.12	0.22	0.25	0.13	0.06	0.06
Multifamily residential real estate	0.10	0.03	0.11	0.23	0.10	0.30	-0.02
Home equity loans	0.20	0.18	0.24	0.31	0.13	0.16	0.02
Other 1-4 family residential	0.15	0.13	0.16	0.27	0.12	0.10	0.05
Commercial and industrial loans	0.27	0.29	0.33	0.33	0.21	0.24	0.20
Loans to individuals	0.62	0.75	0.67	0.51	0.61	0.66	0.44
Credit card loans	4.03	5.92	1.37	3.31	7.86	1.82	1.88
Other loans to individuals	0.51	0.64	0.65	0.39	0.27	0.63	0.33
All other loans and leases (including farm)	0.12	0.09	0.17	0.09	0.04	0.26	0.24
Total loans and leases	0.18	0.16	0.26	0.27	0.12	0.15	0.08
Loans Outstanding (in billions)							
All loans secured by real estate	$1,004.8	$282.0	$132.9	$196.6	$138.8	$171.5	$82.9
Construction and development	79.6	14.2	14.5	11.6	10.3	22.4	6.5
Nonfarm nonresidential	392.7	100.0	58.8	72.9	47.0	71.0	42.9
Multifamily residential real estate	73.1	33.3	5.8	14.0	7.0	5.8	7.2
Home equity loans	48.0	15.6	7.7	11.4	4.4	4.3	4.6
Other 1-4 family residential	354.2	117.3	42.1	72.8	45.7	57.4	18.9
Commercial and industrial loans	185.0	41.3	19.3	36.4	30.8	40.0	17.1
Loans to individuals	57.0	10.6	7.3	11.7	9.6	13.5	4.3
Credit card loans	1.8	0.2	0.1	0.5	0.4	0.3	0.3
Other loans to individuals	55.2	10.4	7.2	11.2	9.2	13.1	4.0
All other loans and leases (including farm)	72.2	7.4	3.1	12.1	29.3	14.8	5.5
Total loans and leases	1,319.0	341.4	162.7	256.7	208.6	239.8	109.8
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	242,722	58,154	28,270	47,262	41,514	43,250	24,273
Construction and development: 1-4 family residential	18,497	3,887	3,276	2,118	2,352	5,219	1,645
Construction and development: CRE and other	41,175	12,192	5,488	6,421	5,041	8,858	3,175
Commercial and industrial	83,388	18,833	8,668	17,855	13,553	15,518	8,962

* See Table V-A (page 11) for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

INSURANCE FUND INDICATORS

- ***Fund Balance Increases to $51.1 Billion***
- ***DIF Reserve Ratio Rises 4 Basis Points to 0.84 Percent***
- ***Seven Institutions Fail During Second Quarter***

Total assets of the 6,656 FDIC-insured institutions increased by 1.8 percent ($263.1 billion) during the second quarter.[1] Total deposits increased by 1.5 percent ($172.4 billion). Domestic office deposits increased by 1.4 percent ($136.6 billion), and foreign office deposits increased by 2.6 percent ($35.8 billion). Domestic noninterest-bearing deposits increased by 4.3 percent ($115 billion), while interest-bearing checking and savings accounts were nearly unchanged, decreasing by only 0.02 percent ($1.1 billion) from the previous quarter. Domestic time deposits increased by 1.4 percent ($22.6 billion). Over the past four quarters, total domestic deposits grew by 7.1 percent ($663.2 billion), with interest-bearing deposits increasing by 5 percent ($344.3 billion) and noninterest-bearing deposits rising by 13 percent ($318.8 billion). Foreign deposits increased by 3.4 percent, other borrowed money increased by 14.8 percent (led by an increase in FHLB advances), and securities sold under agreements to repurchase declined by 18.7 percent over the same four-quarter period.[2]

Total estimated insured deposits decreased by 0.2 percent from the prior quarter and increased by 2.6 percent from one year earlier.[3] For institutions existing at the start and the end of the second quarter, insured deposits increased during the quarter at 2,561 institutions (38 percent), decreased at 4,063 institutions (61 percent), and remained unchanged at 32 institutions.

The condition of the Deposit Insurance Fund (DIF) continues to improve. The DIF increased by $2.2 billion during the second quarter to $51.1 billion. Assessment income of $2.2 billion was primarily responsible for the increase. Negative provisions for insurance losses of $204 million, interest earned on investments of $87 million, unrealized gains on available-for-sale securities of $73 million, and other miscellaneous income of $6 million also added to the fund. Operating expenses of $428 million partially offset the fund balance increase. During the second quarter of 2014, 7 insured institutions with combined assets of $853 million failed, at an estimated cost to the fund of $112 million. The DIF's reserve ratio—the DIF fund balance as a percent of estimated insured deposits—was 0.84 percent as of the second quarter, up from 0.80 percent in the prior quarter and 0.64 percent one year earlier.

[1] Throughout the insurance fund discussion, FDIC-insured institutions include insured commercial banks and savings associations and, except where noted, exclude insured branches of foreign banks.

[2] Other borrowed money includes FHLB advances, term federal funds, mortgage indebtedness, and other borrowings.

[3] Figures for estimated insured deposits in this discussion include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.

Table 1

Distribution of the Assessment Base for FDIC-Insured Institutions* by Asset Size
Data as of June 30, 2014

Asset Size	Number of Institutions	Percent of Total Institutions	Assessment Base** ($ Bil.)	Percent of Base
Less Than $1 Billion	5,982	89.9	$1,194.7	9.3
$1 - $10 Billion	565	8.5	1,320.7	10.3
$10 - $50 Billion	73	1.1	1,405.5	10.9
$50 - $100 Billion	12	0.2	789.0	6.1
Over $100 Billion	24	0.4	8,147.5	63.4
Total	6,656	100.0	12,857.4	100.0

* Excludes insured U.S. branches of foreign banks.
** Average consolidated total assets minus average tangible equity, with adjustments for banker's banks and custodial banks.

Effective April 1, 2011, the deposit insurance assessment base changed to average consolidated total assets minus average tangible equity.[4] Revisions to insurance assessment rates and risk-based pricing rules for large banks (banks with assets greater than $10 billion) also became effective on that date.[5] Table 1 shows the distribution of the assessment base by institution asset size category as of the second quarter of 2014.

Dodd-Frank requires that, for at least five years, the FDIC must make available to the public the reserve ratio and the Designated Reserve Ratio (DRR) using both estimated insured deposits and the new assessment base. As of June 30, 2014, the FDIC reserve ratio would have been 0.40 percent using the new assessment base (compared to 0.84 percent using estimated insured deposits), and the 2 percent DRR using estimated insured deposits would have been 0.95 percent using the new assessment base.

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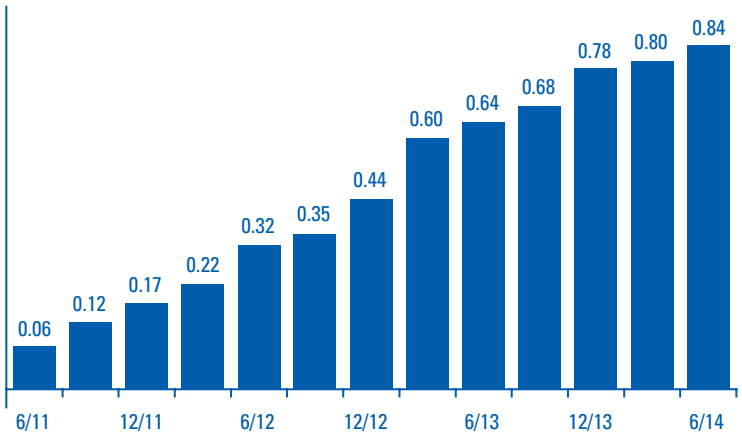
[4] There is an additional adjustment to the assessment base for banker's banks and custodial banks, as permitted under Dodd-Frank.
[5] The Fourth Quarter 2010 *Quarterly Banking Profile* includes a more detailed explanation of these changes.

Table I-C. Insurance Fund Balances and Selected Indicators

(dollar figures in millions)	Deposit Insurance Fund*												
	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011
Beginning Fund Balance	$48,893	$47,191	$40,758	$37,871	$35,742	$32,958	$25,224	$22,693	$15,292	$11,827	$7,813	$3,916	-$1,023
Changes in Fund Balance:													
Assessments earned	2,224	2,393	2,224	2,339	2,526	2,645	2,937	2,833	2,933	3,694	3,209	3,642	3,163
Interest earned on investment securities	87	45	23	34	54	-9	66	-8	81	20	33	30	37
Realized gain on sale of investments	0	0	302	156	0	0	0	0	0	0	0	0	0
Operating expenses	428	422	436	298	439	436	469	442	407	460	334	433	463
Provision for insurance losses	-204	348	-4,588	-539	-33	-499	-3,344	-84	-807	12	1,533	-763	-2,095
All other income, net of expenses	6	9	9	46	51	55	1,878	57	4,095	63	2,599	83	80
Unrealized gain/(loss) on available-for-sale securities	73	25	-277	71	-96	30	-22	7	-108	160	40	-188	27
Total fund balance change	2,166	1,702	6,433	2,887	2,129	2,784	7,734	2,531	7,401	3,465	4,014	3,897	4,939
Ending Fund Balance	51,059	48,893	47,191	40,758	37,871	35,742	32,958	25,224	22,693	15,292	11,827	7,813	3,916
Percent change from four quarters earlier	34.82	36.79	43.19	61.58	66.88	133.73	178.67	222.85	479.49	NM	NM	NM	NM
Reserve Ratio (%)	0.84	0.80	0.78	0.68	0.64	0.60	0.44	0.35	0.32	0.22	0.17	0.12	0.06
Estimated Insured Deposits**	6,109,217	6,124,064	6,014,696	5,970,277	5,953,671	6,000,746	7,406,525	7,249,849	7,083,434	7,032,875	6,974,690	6,756,302	6,523,225
Percent change from four quarters earlier	2.61	2.06	-18.79	-17.65	-15.95	-14.68	6.19	7.30	8.59	10.24	10.68	24.62	19.97
Domestic Deposits	10,099,336	9,962,480	9,825,398	9,630,459	9,424,504	9,454,659	9,474,585	9,084,803	8,937,725	8,848,706	8,782,134	8,526,713	8,244,900
Percent change from four quarters earlier	7.16	5.37	3.70	6.01	5.45	6.85	7.88	6.55	8.40	10.51	11.34	9.97	7.34
Number of Institutions Reporting	6,665	6,739	6,821	6,900	6,949	7,028	7,092	7,190	7,254	7,317	7,366	7,446	7,522

DIF Reserve Ratios

Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits

($ Millions)

	DIF Balance	DIF-Insured Deposits
6/11	$3,916	$6,523,225
9/11	7,813	6,756,302
12/11	11,827	6,974,690
3/12	15,292	7,032,875
6/12	22,693	7,083,434
9/12	25,224	7,249,849
12/12	32,958	7,406,525
3/13	35,742	6,000,746
6/13	37,871	5,953,671
9/13	40,758	5,970,277
12/13	47,191	6,014,696
3/14	48,893	6,124,064
6/14	51,059	6,109,217

Table II-C. Problem Institutions and Failed/Assisted Institutions

(dollar figures in millions)	2014***	2013***	2013	2012	2011	2010	2009
Problem Institutions							
Number of institutions	354	553	467	651	813	884	702
Total assets	$110,212	$192,482	$152,687	$232,701	$319,432	$390,017	$402,782
Failed Institutions							
Number of institutions	12	16	24	51	92	157	140
Total assets****	$1,571	$1,868	$6,044	$11,617	$34,923	$92,085	$169,709
Assisted Institutions***							
Number of institutions	0	0	0	0	0	0	8
Total assets	$0	$0	$0	$0	$0	$0	$1,917,482

* Quarterly financial statement results are unaudited. NM - Not meaningful

** Beginning in the third quarter of 2009, estimates of insured deposits are based on a $250,000 general coverage limit. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) temporarily provided unlimited coverage for noninterest-bearing transaction accounts for two years beginning December 31, 2010, and ending December 31, 2012.

*** Through June 30.

**** Total assets are based on final Call Reports submitted by failed institutions.

***** Assisted institutions represent eight institutions under a single holding company that received assistance in 2009.

Table III-C. Estimated FDIC-Insured Deposits by Type of Institution

(dollar figures in millions)

June 30, 2014	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	5,757	$14,106,073	$9,251,576	$5,405,766
FDIC-Supervised	3,788	2,221,856	1,728,656	1,289,468
OCC-Supervised	1,109	9,696,045	6,078,024	3,383,957
Federal Reserve-Supervised	860	2,188,172	1,444,896	732,341
FDIC-Insured Savings Institutions	899	1,058,525	807,141	675,679
OCC-Supervised Savings Institutions	470	693,490	535,182	453,291
FDIC-Supervised Savings Institutions	429	365,035	271,959	222,388
Total Commercial Banks and Savings Institutions	6,656	15,164,599	10,058,717	6,081,445
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	104,690	40,619	27,771
Total FDIC-Insured Institutions	6,665	15,269,289	10,099,336	6,109,217

* Excludes $1.4 trillion in foreign office deposits, which are uninsured.

Table IV-C. Distribution of Institutions and Assessment Base by Assessment Rate Range

Quarter Ending March 31, 2014 *(dollar figures in billions)*

Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base*	Percent of Total Assessment Base
2.50-5.00	1,376	20.42	$1,091	8.53
5.01-7.50	2,946	43.72	9,572	74.85
7.51-10.00	1,378	20.45	1,490	11.65
10.01-15.00	599	8.89	369	2.88
15.01-20.00	32	0.47	99	0.77
20.01-25.00	331	4.91	125	0.98
25.01-30.00	6	0.09	2	0.01
30.01-35.00	68	1.01	33	0.26
greater than 35.00	3	0.04	8	0.06

* Beginning in the second quarter of 2011, the assessment base was changed to average consolidated total assets minus tangible equity, as required by the Dodd-Frank Act.

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.

The information presented in Tables I-A through V-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured institutions, both commercial banks and savings institutions. Tables VI-A (Derivatives) and VII-A (Servicing, Securitization, and Asset Sales Activities) aggregate information only for insured commercial banks and state-chartered savings banks that file quarterly *Call Reports*. Table VIII-A (Trust Services) aggregates Trust asset and income information collected annually from all FDIC-insured institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through VI-B.

The information presented in Tables I-B through VI-B is aggregated for all FDIC-insured commercial banks and savings institutions meeting the criteria for community banks that were developed for the FDIC's *Community Banking Study*, published in December, 2012: http://fdic.gov/regulations/resources/cbi/report/cbi-full.pdf.

The determination of which insured institutions are considered community banks is based on five steps.

The first step in defining a community bank is to aggregate all charter-level data reported under each holding company into a single banking organization. This aggregation applies both to balance-sheet measures and the number and location of banking offices. Under the FDIC definition, if the banking organization is designated as a community bank, every charter reporting under that organization is also considered a community bank when working with data at the charter level.

The second step is to exclude any banking organization where more than 50 percent of total assets are held in certain specialty banking charters, including: *credit card specialists*, *consumer nonbank banks*, *industrial loan companies*, *trust companies*, *bankers' banks*, and banks holding 10 percent or more of total assets in foreign offices.

Once the specialty organizations are removed, the third step involves including organizations that engage in basic banking activities as measured by the total loans-to-assets ratio (greater than 33 percent) and the ratio of core deposits to assets (greater than 50 percent). Core deposits are defined as nonbrokered deposits in domestic offices. Analysis of the underlying data shows that these thresholds establish meaningful levels of basic lending and deposit gathering and still allow for a degree of diversity in how individual banks construct their balance sheets.

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are gradually adjusted upward over time. For banking offices, banks must have more than one office, and the maximum number of offices starts at 40 in 1985 and reaches 75 in 2010. The maximum level of deposits for any one office is $1.25 billion in deposits in 1985 and $5 billion in deposits in 2010. The remaining geographic limitations are also based on maximums for the number of states (fixed at 3) and large metropolitan areas (fixed at 2) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

Finally, the definition establishes an *asset-size limit*, also adjusted upward over time from $250 million in 1985 to $1 billion in 2010, below which the limits on banking activities and geographic scope are waived. This final step acknowledges the fact that most of those small banks that are not excluded as specialty banks meet the requirements for banking activities and geographic limits in any event.

Summary of FDIC Research Definition of Community Banking Organizations

Community banks are designated at the level of the banking.

(All charters under designated holding companies are considered community banking charters.)

Exclude: Any organization with:

— No loans or no core deposits

— Foreign Assets ≥ 10% of total assets

— More than 50% of assets in certain specialty banks, including:

- credit card specialists
- consumer nonbank banks[1]
- industrial loan companies
- trust companies
- bankers' banks

Include: All remaining banking organizations with:

— Total assets < indexed size threshold[2]

— Total assets ≥ indexed size threshold, where:

- Loan to assets > 33%
- Core deposits to assets > 50%
- More than 1 office but no more than the indexed maximum number of offices.[3]

[1] Consumer nonbank banks are financial institutions with limited charters that can make commercial loans or take deposits, but not both.
[2] Asset size threshold indexed to equal $250 million in 1985 and $1 billion in 2010.
[3] Maximum number of offices indexed to equal 40 in 1985 and 75 in 2010.

- Number of large MSAs with offices ≤ 2
- Number of states with offices ≤ 3
- No single office with deposits > indexed maximum branch deposit size.[4]

Tables I-C through IV-C.

A separate set of tables (Tables I-C through IV-C) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed/assisted institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Consolidated Reports of Condition and Income (Call Reports)* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.) This information is stored on and retrieved from the FDIC's Research Information System (RIS) database.

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period. For the community bank subgroup, growth rates will reflect changes over time in the number and identities of institutions designated as community banks, as well as changes in the assets and liabilities, and income and expenses of group members. Unless indicated otherwise, growth rates are not adjusted for mergers or other changes in the composition of the community bank subgroup.

[4] Maximum branch deposit size indexed to equal $1.25 billion in 1985 and $5 billion in 2010.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration, e.g., institutions can move their home offices between regions, and savings institutions can convert to commercial banks or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure," to address diversity in practice for when certain loan receivables should be derecognized and the real estate collateral recognized. The ASU updated guidance contained in Accounting Standards Codification Subtopic 310-40, Receivables–Troubled Debt Restructurings by Creditors (formerly FASB Statement No.15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended).

Under prior accounting guidance, all loan receivables were reclassified to other real estate owned (OREO) when the institution, as creditor, obtained physical possession of the property, regardless of whether formal foreclosure proceedings had taken place. The new ASU clarifies when a creditor is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate collateralizing a consumer mortgage loan. Under the new guidance, physical possession for these residential real estate properties is considered to have occurred and a loan receivable would be reclassified to OREO only upon:

— The institution obtaining legal title upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after foreclosure to reclaim the property by paying certain amounts specified by law, or

— The completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the institution to satisfy the loan.

Loans secured by real estate other than consumer mortgage loans collateralized by residential real estate should continue to be reclassified to OREO when the institution has received physical possession of a borrower's real estate, regardless of whether formal foreclosure proceedings take place.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles, ASU 2014-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2015. However, institutions that are not public business entities are not required to apply the guidance in ASU 2014-04 until annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Thus, institutions with a calendar year fiscal year that are not public business entities must apply the ASU in their December 31, 2015, and

subsequent quarterly Call Reports. Earlier adoption of the guidance in ASU 2014-04 is permitted. Entities can elect to apply the ASU on either a modified retrospective transition basis or a prospective transition basis. Applying the ASU on a prospective transition basis should be less complex for institutions than applying the ASU on a modified retrospective transition basis. Under the prospective transition method, an institution should apply the new guidance to all instances where it receives physical possession of residential real estate property collateralizing consumer mortgage loans that occur after the date of adoption of the ASU. Under the modified retrospective transition method, an institution should apply a cumulative-effect adjustment to residential consumer mortgage loans and OREO existing as of the beginning of the annual period for which the ASU is effective. As a result of adopting the ASU on a modified retrospective basis, assets reclassified from OREO to loans should be measured at the carrying value of the real estate at the date of adoption while assets reclassified from loans to OREO should be measured at the lower of the net amount of the loan receivable or the OREO property's fair value less costs to sell at the time of adoption.

For additional information, institutions should refer to ASU 2014-04, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Indemnification Assets and Accounting Standards Update No. 2012-06 – In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution," to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007),"Business Combinations"), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU's provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for Call Report purposes in accordance with the effective date of this standard. For additional information, refer to ASU 2012-06, available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Goodwill Impairment Testing – In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"). The ASU's amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for institutions with a calendar year fiscal year). Early adoption of the ASU was permitted. Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines it is unlikely (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step goodwill impairment test. If the institution instead concludes that the opposite is true (that is, it is likely that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

Extended Net Operating Loss Carryback Period – The Worker, Homeownership, and Business Assistance Act of 2009, which was enacted on November 6, 2009, permits banks and other businesses, excluding those banking organizations that received capital from the U.S. Treasury under the Troubled Asset Relief Program, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any one tax year ending after December 31, 2007, and beginning before January 1, 2010. For calendar-year banks, this extended carryback period applies to either the 2008 or 2009 tax year. The amount of the net operating loss that can be carried back to the fifth carryback year is limited to 50 percent of the available taxable income for that fifth year, but this limit does not apply to other carryback years.

Under generally accepted accounting principles, banks may not record the effects of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the fourth quarter of 2009. Therefore, banks should recognize the effects of this fourth quarter 2009 tax law change on their current and deferred tax assets and liabilities, including valuation allowances for deferred tax assets, in their *Call Reports* for December 31, 2009. Banks should not amend their *Call Reports* for prior quarters for the effects of the extended net operating loss carryback period.

The American Recovery and Reinvestment Act of 2009, which was enacted on February 17, 2009, permits qualifying small businesses, including FDIC-insured institutions, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any tax year ending in 2008 or, at the small business's election, any tax year beginning in 2008. Under generally

accepted accounting principles, institutions may not record the effect of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the first quarter of 2009.

Troubled Debt Restructurings and Current Market Interest Rates – Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, it must be reported in the appropriate loan category, as well as identified as a performing TDR loan, if it is in compliance with its modified terms. If a TDR is not in compliance with its modified terms, it is reported as a past-due and nonaccrual loan in the appropriate loan category, as well as distinguished from other past due and nonaccrual loans. To be considered in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms. A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Call Report Glossary entry for "Loan Impairment." Consistent with ASC Subtopic 310-10, TDRs may be aggregated and measured for impairment with other impaired loans that share common risk characteristics by using historical statistics, such as average recovery period and average amount recovered, along with a composite effective interest rate. The outcome of such an aggregation approach must be consistent with the impairment measurement methods prescribed in ASC Subtopic 310-10 and Call Report instructions for loans that are "individually" considered impaired instead of the measurement method prescribed in ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies") for loans not individually considered impaired that are collectively evaluated for impairment. When a loan not previously considered individually impaired is restructured and determined to be a TDR, absent a partial charge-off, it generally is not appropriate for the impairment estimate on the loan to decline as a result of the change from the impairment measurement method prescribed in ASC Subtopic 450-20 to the methods prescribed in ASC Subtopic 310-10.

Troubled Debt Restructurings and Accounting Standards Update No. 2011-02 – In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying and reporting TDRs. This ASU was effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should have been applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application should have been applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public institutions, the ASU takes effect July 1, 2011, but retrospective application begins as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic institutions, the ASU took effect January 1, 2012.) Early adoption of the ASU was permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement. For additional information, refer to ASU 2011-02, available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Accounting for Loan Participations – Amended ASC Topic 860 (formerly FAS 166) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for banks with calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date of amended ASC Topic 860 even if the line of credit agreements were entered into before this effective date. Therefore, banks with a calendar-year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this new accounting standard.

Under amended ASC Topic 860, if a transfer of a portion of an entire financial asset meets the definition of a "participating interest," then the transferor (normally the lead lender) must evaluate whether the transfer meets all of the conditions in this accounting standard to qualify for sale accounting.

Other-Than-Temporary Impairment – When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. The amount of the total other-than-temporary impairment related to credit loss must be recognized in earnings, but the amount of total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes. To determine whether the impairment is other-than-temporary, an institution must apply the applicable accounting guidance – refer to previously published *Quarterly Banking Profile* notes: http://www2.fdic.gov/qbp/2011mar/qbpnot.html.

ASC Topics 860 & 810 (formerly FASB Statements 166 & 167) – In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets (FAS 166), and Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which change the way entities account for securitizations and special purpose entities. FAS 166 revised FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by eliminating the concept of a "qualifying special-purpose entity," creating the concept of a "participating interest," changing the requirements for derecognizing financial assets, and requiring additional disclosures. FAS 167 revised FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, by changing how a bank or other company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights, i.e., a "variable interest entity" (VIE), should be consolidated. Under FAS 167, a bank must perform a qualitative assessment to determine whether its variable interest or interests give it a controlling financial interest in a VIE. If a bank's variable interest or interests provide it with the power to direct the most significant activities of the VIE, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the bank is the primary beneficiary of, and therefore must consolidate, the VIE.

Both FAS 166 and FAS 167 take effect as of the beginning of each bank's first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for banks with a calendar year fiscal year). Earlier application is prohibited. Banks are expected to adopt FAS 166 and FAS 167 for Call Report purposes in accordance with the effective date of these two standards. Also, FAS 166 has modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of FAS 166. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with FAS 166. In general, loan participations transferred before the effective date of FAS 166 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard and pre-FAS 166 participations that were properly accounted for as sales under FASB Statement No. 140 will continue to be reported as having been sold.

Accounting Standards Codification – refer to previously published *Quarterly Banking Profile* notes: http://www2.fdic.gov/qbp/2011sep/qbpnot.html.

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers' liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, fair market value of derivatives, prepaid deposit insurance assessments, and other assets.

All other liabilities – bank's liability on acceptances, limited-life preferred stock, allowance for estimated off-balance-sheet credit losses, fair market value of derivatives, and other liabilities.

Assessment base – effective April 1, 2011, the deposit insurance assessment base has changed to "average consolidated total assets minus average tangible equity" with an additional adjustment to the assessment base for banker's banks and custodial banks, as permitted under Dodd-Frank. Previously the assessment base was "assessable deposits" and consisted of DIF deposits (deposits insured by the FDIC Deposit Insurance Fund) in banks' domestic offices with certain adjustments.

Assets securitized and sold – total outstanding principal balance of assets securitized and sold with servicing retained or other seller- provided credit enhancements.

Capital Purchase Program (CPP) – as announced in October 2008 under the TARP, the Treasury Department purchase of noncumulative perpetual preferred stock and related warrants that is treated as Tier 1 capital for regulatory capital purposes is included in "Total equity capital." Such warrants to purchase common stock or noncumulative preferred stock issued by publicly-traded banks are reflected as well in "Surplus." Warrants to purchase common stock or noncumulative preferred stock of not-publicly-traded bank stock are classified in a bank's balance sheet as "Other liabilities."

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Credit enhancements – techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance.

Deposit Insurance Fund (DIF) – the Bank (BIF) and Savings Association (SAIF) Insurance Funds were merged in 2006 by the Federal Deposit Insurance Reform Act to form the DIF.

Derivatives notional amount – the notional, or contractual, amounts of derivatives represent the level of involvement in the types of derivatives transactions and are not a quantification of market risk or credit risk. Notional amounts represent the amounts used to calculate contractual cash flows to be exchanged.

Derivatives credit equivalent amount – the fair value of the derivative plus an additional amount for potential future credit exposure based on the notional amount, the remaining maturity and type of the contract.

Derivatives transaction types:

Futures and forward contracts – contracts in which the buyer agrees to purchase and the seller agrees to sell, at a specified future date, a specific quantity of an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (traditional agricultural or physical commodities, as well as currencies and interest rates). Futures contracts are standardized and are

traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – contracts in which the buyer acquires the right to buy from or sell to another party some specified amount of an underlying variable or index at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the variable or index at the discretion of the buyer of the contract.

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiplying the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Derivatives underlying risk exposure – the potential exposure characterized by the level of banks' concentration in particular underlying instruments, in general. Exposure can result from market risk, credit risk, and operational risk, as well as, interest rate risk.

Domestic deposits to total assets – total domestic office deposits as a percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – in general, insured deposits are total domestic deposits minus estimated uninsured deposits. Beginning March 31, 2008, for institutions that file Call Reports, insured deposits are total assessable deposits minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits include deposits in accounts of $100,000 to $250,000 that are covered by a temporary increase in the FDIC's standard maximum deposit insurance amount (SMDIA). The Dodd-Frank Wall Street Reform and Consumer Protection Act enacted on July 21, 2010, made permanent the standard maximum deposit insurance amount (SMDIA) of $250,000. Also, the Dodd-Frank Act amended the Federal Deposit Insurance Act to include noninterest-bearing transaction accounts as a new temporary deposit insurance account category. All funds held in noninterest-bearing transaction accounts were fully insured, without limit, from December 31, 2010, through December 31, 2012.

Failed/assisted institutions – an institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as "assisted" when the institution remains open and receives assistance in order to continue operating.

Fair Value – the valuation of various assets and liabilities on the balance sheet—including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and foreclosed assets—involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

FHLB advances – all borrowings by FDIC insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers, and by TFR filers prior to March 31, 2012.

Goodwill and other intangibles – intangible assets include servicing rights, purchased credit card relationships, and other identifiable intangible assets. Goodwill is the excess of the purchase price over the fair market value of the net assets acquired, less subsequent impairment adjustments. Other intangible assets are recorded at fair value, less subsequent quarterly amortization and impairment adjustments.

Loans secured by real estate – includes home equity loans, junior liens secured by 1-4 family residential properties, and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Maximum credit exposure – the maximum contractual credit exposure remaining under recourse arrangements and other seller-provided credit enhancements provided by the reporting bank to securitizations.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see "Securities," below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectibility), less amounts recovered on loans and leases previously charged off.

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

Net loans to total assets – loans and lease financing receivables, net of unearned income, allowance and reserves, as a percent of total assets on a consolidated basis.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities, and other assets that are 90 days or more past due, or in nonaccrual status.

Noncurrent loans & leases – the sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

New reporters – insured institutions filing quarterly financial reports for the first time.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness, obligations under capitalized leases and

trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that file a *Thrift Financial Report* (TFR), the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for TFR filers the components of other real estate owned are reported gross of valuation allowances. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

"Problem" institutions – federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a "4" or "5." The number and assets of "problem" institutions are based on FDIC composite ratings. Prior to March 31, 2008, for institutions whose primary federal regulator was the OTS, the OTS composite rating was used.

Recourse – an arrangement in which a bank retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank's claim on the asset. If a bank has no claim on an asset it has sold, then the retention of any credit risk is recourse.

Reserves for losses – the allowance for loan and lease losses on a consolidated basis.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Retained earnings – net income less cash dividends on common and preferred stock for the reporting period.

Return on assets – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total (consolidated) assets. The basic yardstick of bank profitability.

Return on equity – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-based capital groups – definition:

(Percent)	Total Risk-Based Capital*		Tier 1 Risk-Based Capital*		Tier 1 Leverage		Tangible Equity
Well-capitalized	≥10	***and***	≥6	***and***	≥5		–
Adequately capitalized	≥8	***and***	≥4	***and***	≥4		–
Undercapitalized	≥6	***and***	≥3	***and***	≥3		–
Significantly undercapitalized	<6	***or***	<3	***or***	<3	***and***	>2
Critically undercapitalized	–		–		–		≤2

* As a percentage of risk-weighted assets.

Risk Categories and Assessment Rate Schedule – The current risk categories became effective January 1, 2007. Capital ratios and supervisory ratings distinguish one risk category from another. Effective April 1, 2011, risk categories for large institutions (generally those with at least $10 billion in assets) were eliminated. The following table shows the relationship of risk categories (I, II, III, IV) for small institutions to capital and supervisory groups as well as the initial base assessment rates (in basis points) for each risk category. Supervisory Group A generally includes institutions with CAMELS composite ratings of 1 or 2; Supervisory Group B generally includes institutions with a CAMELS composite rating of 3; and Supervisory Group C generally includes institutions with CAMELS composite ratings of 4 or 5. For purposes of risk-based assessment capital groups, undercapitalized includes institutions that are significantly or critically undercapitalized.

Capital Category	Supervisory Group A	Supervisory Group B	Supervisory Group C
1. Well Capitalized	I 5–9 bps	II 14 bps	III 23 bps
2. Adequately Capitalized	II 14 bps		
3. Undercapitalized	III 23 bps		IV 35 bps

Effective April 1, 2011, the initial base assessment rates are 5 to 35 basis points. An institution's total assessment rate may be less than or greater than its initial base assessment rate as a result of additional risk adjustments.

The base assessment rates for small institutions in Risk Category I are based on a combination of financial ratios and CAMELS component ratings (the financial ratios method).

As required by Dodd-Frank, the calculation of risk-based assessment rates for large institutions no longer relies on long-term debt issuer ratings. Rates for large institutions are based on CAMELS ratings and certain forward-looking financial measures combined into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). In general, a highly complex institution is an institution (other than a credit card bank) with more than $500 billion in total assets that is controlled by a parent or intermediate parent company with more than $500 billion in total assets or a processing bank or trust company with total fiduciary assets of $500 billion or more. The FDIC retains its ability to take additional information into account to make a limited adjustment to an institution's total score (the large bank adjustment), which will be used to determine an institution's initial base assessment rate.

Effective April 1, 2011, the three possible adjustments to an institution's initial base assessment rate are as follows: (1) Unsecured Debt Adjustment: An institution's rate may decrease by up to 5 basis points for unsecured debt. The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an institution's initial base assessment rate (IBAR). Thus, for example, an institution with an IBAR of 5 basis points would have a maximum unsecured debt

adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points. (2) Depository Institution Debt Adjustment: For institutions that hold long-term unsecured debt issued by another insured depository institution, a 50 basis point charge is applied to the amount of such debt held in excess of 3 percent of an institution's Tier 1 capital. (3) Brokered Deposit Adjustment: Rates for small institutions that are not in Risk Category I and for large institutions that are not well capitalized or do not have a composite CAMELS rating of 1 or 2 may increase (not to exceed 10 basis points) if their brokered deposits exceed 10 percent of domestic deposits. After applying all possible adjustments (excluding the Depository Institution Debt Adjustment), minimum and maximum total base assessment rates for each risk category are as follows:

Total Base Assessment Rates*					
	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	5–9	14	23	35	5–35
Unsecured debt adjustment	-4.5–0	-5–0	-5–0	-5–0	-5–0
Brokered deposit adjustment	—	0–10	0–10	0–10	0–10
Total Base Assessment rate	2.5–9	9–24	18–33	30–45	2.5–45

* All amounts for all categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates. Total base assessment rates do not include the depository institution debt adjustment.

Beginning in 2007, each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date.

Special Assessment – On May 22, 2009, the FDIC board approved a final rule that imposed a 5 basis point special assessment as of June 30, 2009. The special assessment was levied on each insured depository institution's assets minus its Tier 1 capital as reported in its report of condition as of June 30, 2009. The special assessment was collected September 30, 2009, at the same time that the risk-based assessment for the second quarter of 2009 was collected. The special assessment for any institution was capped at 10 basis points of the institution's assessment base for the second quarter of 2009 risk-based assessment.

Prepaid Deposit Insurance Assessments – In November 2009, the FDIC Board of Directors adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. For regulatory capital purposes, an institution may assign a zero-percent risk weight to the amount of its prepaid deposit assessment asset. As required by the FDIC's regulation establishing the prepaid deposit insurance assessment program, this program ended with the final application of prepaid assessments to the quarterly deposit insurance assessments payable March 29, 2013. The FDIC issued refunds of any unused prepaid deposit insurance assessments on June 28, 2013.

[Note: Effective January 1, 2014, a small number of "advanced approach institutions" began reporting Tier 1 capital based on regulatory capital standards approved by the banking agencies in July 2013. For all other FDIC-insured institutions, prior existing reporting will continue until January 2015 when mandatory compliance for all institutions is scheduled to begin. http://www.fdic.gov/regulations/capital/. At that time a revised assessment rate schedule will be used to reflect the changes in the regulatory capital rules. http://www.fdic.gov/news/news/financial/2014/fil14037.html]

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 200 percent. A conversion factor is used to assign a balance sheet equivalent amount for selected off-balance-sheet accounts.

Securities – excludes securities held in trading accounts. Banks' securities portfolios consist of securities designated as "held-to-maturity," which are reported at amortized cost (book value), and securities designated as "available-for-sale," reported at fair (market) value.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. *Thrift Financial Report* (TFR) filers also include gains (losses) on the sales of assets held for sale. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Seller's interest in institution's own securitizations – the reporting bank's ownership interest in loans and other assets that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Small Business Lending Fund – The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than $10 billion. The SBLF Program is administered by the U.S. Treasury Department (http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a depository institution, it is reported as "Perpetual preferred stock and related surplus." For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital. Qualifying Subchapter S corporations and mutual institutions issue unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issued these debentures report them as "Subordinated notes

and debentures." For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital in accordance with their primary federal regulator's capital standards. To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them.

Subchapter S corporation – a Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. This can have the effect of reducing institutions' reported taxes and increasing their after-tax earnings.

Trust assets – market value, or other reasonably available value of fiduciary and related assets, to include marketable securities, and other financial and physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods. Such fiduciary assets are not included in the assets of the financial institution.

Unearned income & contra accounts – unearned income for *Call Report* filers only.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans. (Excluded are commitments after June 2003 for originated mortgage loans held for sale, which are accounted for as derivatives on the balance sheet.)

Yield on earning assets – total interest, dividend, and fee income earned on loans and investments as a percentage of average earning assets.

Minority Depository Institutions: Structure, Performance, and Social Impact

Introduction and Executive Summary

In the fall of 2011, the Federal Deposit Insurance Corporation (FDIC) announced a Community Banking Initiative focused on understanding the evolution of U.S. community banks over the past 25 years and the challenges and opportunities faced by this segment of the banking industry. Under this initiative, the FDIC hosted roundtable discussions across the country; undertook a review of its examination, rulemaking, and guidance processes; developed a technical assistance video program for bank directors, officers, and employees; and completed the *FDIC Community Banking Study*.[1] In 2013, FDIC Chairman Martin Gruenberg announced that the FDIC would undertake a similar study of minority depository institutions (MDIs) and FDIC-insured community development financial institutions (CDFIs).[2]

Chairman Gruenberg described the important mission of MDIs and FDIC-insured CDFIs by noting, "Minority and CDFI banks play a vital role. Your mission is important. You provide responsible banking services to those who might not otherwise have access to a bank. And, you serve some of the most challenging markets in the country. One way we can contribute to your efforts is by conducting research specifically on MDI and CDFI institutions—to better understand the role they play in our financial system and in our communities."

This study carries out this goal by building on analytical work discussed at the June 2013 Interagency MDI/CDFI Bank Conference, starting with a description of MDIs and FDIC-insured CDFIs and where these institutions are located. The remainder of the study is primarily focused on MDIs, for which the FDIC has historical data, exploring how this segment of the financial services industry has changed over time, how MDIs have performed financially, and the extent to which MDIs have achieved their mission in serving the needs of their community. It is important to note that when discussing CDFIs, the report focuses on the small share of CDFIs that are FDIC-insured, rather than all CDFIs.

[1] *FDIC Community Banking Study*, December 2012, http://www.fdic.gov/regulations/resources/cbi/study.html.

[2] Interagency MDI/CDFI Bank Conference proceedings—Strategies for Success through Collaboration, June 11, 2013, http://www.fdic.gov/regulations/resources/minority/events/interagency2013/agenda2.html.

Defining Minority Depository Institutions and Community Development Financial Institutions

Minority and community development financial institutions are time-honored institutional forms. Over time, both Congressional and Executive actions have been taken to clearly define these institutional forms. In particular, Congress enacted laws to provide a designation process for MDIs, as well as a certification process for CDFIs. Institutions that meet these definitions may benefit from programs created to support their provision of financial services to underserved consumers and communities.

In relation to more than 6,800 FDIC-insured financial institutions, the number of MDIs and insured institutions that are certified as CDFI banks is quite small. Only 2.6 percent of insured institutions are currently designated as MDIs, while 1.1 percent of insured institutions are certified as CDFIs (in addition to the CDFIs that are not federally insured depository institutions). MDIs carry a number of different minority designations, with half of MDIs designated as Asian or Pacific Islander American (Asian American), followed by a large share of MDIs with a Hispanic American minority status.

A review of financial data indicates that the characteristics of MDI balance sheets generally resemble those of community banks, with a reliance on core deposits to fund loans that are mostly related to residential and commercial real estate, although an increasing percentage of MDIs have specialized in commercial real estate lending over time.

The Geography of MDIs and CDFI Banks

Minority depository institutions are naturally linked to geographic areas that reflect the communities they seek to serve. As a result, most MDIs are headquartered in a handful of the most populous states. In addition, a large majority of the headquarters and branch offices of these institutions are located in large metropolitan areas. Owing to the concentration of MDI headquarters and branch offices in large metro areas, MDIs generally hold a relatively small market share, except in a few large counties such as Los Angeles and Miami-Dade. Minority depository institutions also hold a sizable share of deposits in a number of micropolitan and rural counties. The concentration of MDI offices in a limited number of metropolitan areas is likely due to the

relatively small geographic footprint of MDIs, with most locating all of their banking offices in three counties or less. In addition, with the exception of several large Hispanic American MDIs, most MDIs have a small number of offices.

FDIC-insured institutions that are certified as CDFIs, but are not MDIs, tend to be concentrated in Mississippi, Illinois, and California, with more than half of their total banking offices in Mississippi alone. Finally, unlike MDIs, only about half of these FDIC-insured CDFIs are located in metropolitan areas.

Structural Change Among MDIs

Like other types of banks, the MDI banking segment has experienced significant structural change over time. The number of MDI charters has fluctuated, owing to a number of factors, including institutions being newly designated as MDIs, existing MDIs being acquired by other institutions, failing MDIs, and the chartering of new MDIs. Compared with the industry overall, and especially community banks, MDIs have experienced a greater degree of structural volatility, with relatively few MDIs operating continuously throughout our 2001–2013 study period. The composition of the MDI segment has also changed over time, with the share of Asian American MDIs increasing, and the share of African American MDIs declining.

Financial Performance of MDIs

The wide size variation among MDIs, in addition to the significant amount of structural change in this segment, makes long-term group comparisons of MDI performance difficult. Nonetheless, MDIs appear to underperform non-MDI institutions in terms of standard industry measures of financial performance such as pretax return on assets. MDIs were found to perform much like community banks with regard to net interest income and noninterest income, but generally experienced higher expenses related to problem loans, as well as higher overhead expenses. Smaller MDIs, especially, were found to have much higher noninterest expenses compared with larger MDIs and community banks. In addition, smaller MDIs also were found to be less efficient than both midsize and larger MDIs, as well as non-MDI community and noncommunity banks. Several factors may contribute to these differences in performance, including the concentration of MDIs in metropolitan areas and the relatively young age of MDIs.

Social Impact of MDIs

Financial performance is not the only bottom line for MDIs. As noted in the FDIC policy statement regarding minority depository institutions, these organizations often promote the economic viability of minority and underserved communities, namely populations that are underserved by mainstream financial institutions. The study finds that MDIs have much to show for their efforts in reaching these populations. Compared with community banks, the markets served by MDI offices include a higher share of population living in low- or moderate-income (LMI) census tracts, as well as a higher share of minority populations. In addition, among institutions that reported data under the Home Mortgage Disclosure Act (HMDA), MDIs originated a larger share of their mortgages to borrowers who live in LMI census tracts and to minority borrowers than did non-MDI community banks. These findings indicate a significant degree of success by MDIs in serving the purpose that this segment of the banking industry was intended to achieve.

Section 1. Defining Minority Depository and Community Development Financial Institutions

MDIs

Minority depository institutions (MDIs) are a time-honored institutional form, with the earliest minority-owned banks dating back as far as 1866.[3] Yet, over time, there has been a growing recognition that more must be done to meet the financial needs of minority communities. Among many responsibilities, the FDIC has long played an important role in implementing measures to expand access to mainstream banking products and services.

There has been a series of legislative and regulatory actions designed to promote access to financial services on the part of underserved populations. Beginning in the 1960s, Congress enacted a number of consumer protection laws, including the Consumer Credit Protection Act of 1968 and the Equal Credit Opportunity Act of 1974. Congress also enacted laws designed to ensure that financial institutions serve all segments of their local communities. One of these laws, the Community Reinvestment Act (CRA) of 1977, "is intended to encourage depository institutions to help meet the credit and development needs of their

[3] See Douglas A. Price, "Minority-Owned Banks: History and Trends," Economic Commentary, Federal Reserve Bank of Cleveland, 1991, http://www.clevelandfed.org/research/commentary/1990/0701.pdf.

communities, especially the needs of low- and moderate-income neighborhoods or persons, small businesses, and small farms."[4]

In addition to legislative actions, various administrations have issued executive orders that provided federal assistance to institutions that serve minority communities. As a result of two executive orders issued in 1969 and 1971, the Commerce and Treasury Departments established the Minority Bank Deposit Program. Financial institutions that participated in this program were recognized as minority banks, and private and public sector organizations were encouraged to obtain services from these institutions.

After turmoil in the financial services industry in the 1980s and early 1990s resulted in the failure of hundreds of banks and savings institutions, including some minority banks, Congress enacted the Financial Institution Reform, Recovery, and Enforcement Act (FIRREA) of 1989. FIRREA established several important goals with respect to MDIs, including to preserve the number of minority depository institutions, preserve the minority character in cases of merger or acquisition, provide technical assistance to prevent insolvency of institutions not now insolvent, promote and encourage creation of new minority depository institutions, and provide for training, technical assistance, and education programs.

With the enactment of FIRREA, the MDI designation also became somewhat more structured. FIRREA defines an MDI as "any depository institution where 51 percent or more of the stock is owned by one or more socially and economically disadvantaged individuals." The FDIC further interpreted FIRREA's definition in its 2002 Policy Statement on MDIs not only to include federally insured depository institutions where 51 percent or more of the voting stock is owned by minority individuals, but to also allow insured depository institutions to choose MDI status if a majority of the Board of Directors is minority individuals *and* the community that the institution serves is predominantly minority.[5] As noted in the policy statement, institutions that are not already identified as minority depository institutions can request to be designated as such by certifying that they meet the above definition.

Although seeking designation as a minority depository institution is voluntary, because of the goals established in FIRREA, MDIs may benefit from technical assistance, training, and educational programs provided by the banking regulatory agencies that are unavailable to other insured depository institutions. In addition, under the Community Reinvestment Act (CRA), non-MDI financial institutions may be encouraged to provide support to MDIs to meet the requirements of the act with respect to the lending, investment, and service tests. As noted in Part 345 of the FDIC's rule implementing CRA, when assessing the CRA performance of a bank, the FDIC considers as a factor capital investment, loan participation, and other ventures undertaken by the bank in cooperation with minority- and women-owned financial institutions and low-income credit unions. Such activities must help meet the credit needs of local communities in which the minority- and women-owned financial institutions and low-income credit unions are chartered. However, to be considered, such activities do *not* need to also benefit the bank's assessment area(s) or the broader statewide or regional area that includes the bank's assessment area(s).[6]

CDFIs

Community development financial institutions were defined by congressional action under the 1994 Riegle Community Development and Regulatory Improvement Act. Whereas MDIs are, by definition, insured depository institutions, CDFIs may take on any number of different institutional forms as long as their primary mission involves supporting economic growth through investments that promote the long-term economic and social viability of a defined investment area or targeted population.[7] For example, a certification process managed by the U.S. Department of the Treasury's Community Development Financial Institutions Fund classifies CDFIs as those specialized financial institutions that work in market niches underserved by traditional financial institutions. CDFIs include both regulated institutions such as banks and credit unions, and nonregulated institutions such as loan and venture capital funds. (For additional information on CDFIs, see inset box.)

As a result of these overlapping designations, an insured depository institution may become certified as a CDFI

[4] Kenneth Spong, Banking Regulation, Federal Reserve Bank of Kansas City, 2000.
[5] FDIC Policy Statement Regarding Minority Depository Institutions, 2002, http://www.fdic.gov/regulations/resources/minority/sop5-only.pdf.
[6] 12 CFR § 345.21(f) [60 FR 22201, May 4, 1995, as amended at 75 FR 61045, Oct. 4, 2010].
[7] Riegle Community Development and Regulatory Improvement Act of 1994, Title 1, Section 103.

Community Development Financial Institutions

Under Title 1 of the Riegle Community Development and Regulatory Improvement Act of 1994, Congress established community development financial institutions (CDFIs) and the CDFI Fund. Under the act, a CDFI is defined as an entity that has a primary mission of promoting community development; serves an investment area or targeted population; provides development services in conjunction with equity investments or loans, directly or through a subsidiary or affiliate; maintains, through representation on its governing board or otherwise, accountability to residents of its investment area or targeted population; and is not an agency or instrumentality of the United States, or of any state or political subdivision of a state.

Section 102 of the act states that Congress finds that:

1. Many of the Nation's urban, rural, and Native American communities face critical social and economic problems arising in part from the lack of economic growth, people living in poverty, and the lack of employment and other opportunities;

2. The restoration and maintenance of the economies of these communities will require coordinated development strategies, intensive supportive services, and increased access to equity investments and loans for development activities, including investment in businesses, housing, commercial real estate, human development, and other activities that promote the long-term economic and social viability of the community; and

3. Community development financial institutions have proven their ability to identify and respond to community needs for equity investments, loans, and development services.

Section 102 also states that the purpose of the act is to create a Community Development Financial Institutions Fund to promote economic revitalization and community development through investment in and assistance to community development financial institutions, including enhancing their liquidity.

CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance through a wide range of programs, including:

- **CDFI Program:** Provides Financial Assistance and Technical Assistance awards to certified and emerging CDFIs to sustain and expand their services and to build their technical capacity.

- **Native Initiatives:** Includes the Native American CDFI Assistance Program, which provides Financial Assistance and Technical Assistance awards to CDFIs serving Native American communities to sustain and expand their services and to build their technical capacity, and training opportunities for native CDFIs as part of the CDFI Fund's Capacity Building Initiative.

- **New Markets Tax Credit Program:** Provides tax allocation authority to certified community development entities (CDEs), enabling investors to claim tax credits against their federal income taxes. The CDEs in turn use the capital raised to make investments in low-income communities.

- **Capacity Building Initiative:** Provides organizations certified as CDFIs or trying to become CDFIs with access to free seminars, market research and analysis, tools, and one-on-one training to help develop, diversify, and grow.

- **CDFI Bond Guarantee Program:** Guarantees the full amount of notes or bonds issued to support CDFI banks that make investments for eligible community or economic development purposes. These bonds or notes support CDFI bank lending and investment by providing a source of long-term, patient capital.

In addition, any FDIC-insured depository institution, regardless of whether it is certified as a CDFI, may participate in the CDFI Fund's Bank Enterprise Award (BEA Award) program if they pursue qualified activities in economically distressed communities.

For more information on certified CDFI banks, including eligibility requirements, please visit www.CDFIfund.gov.

Chart 1.1

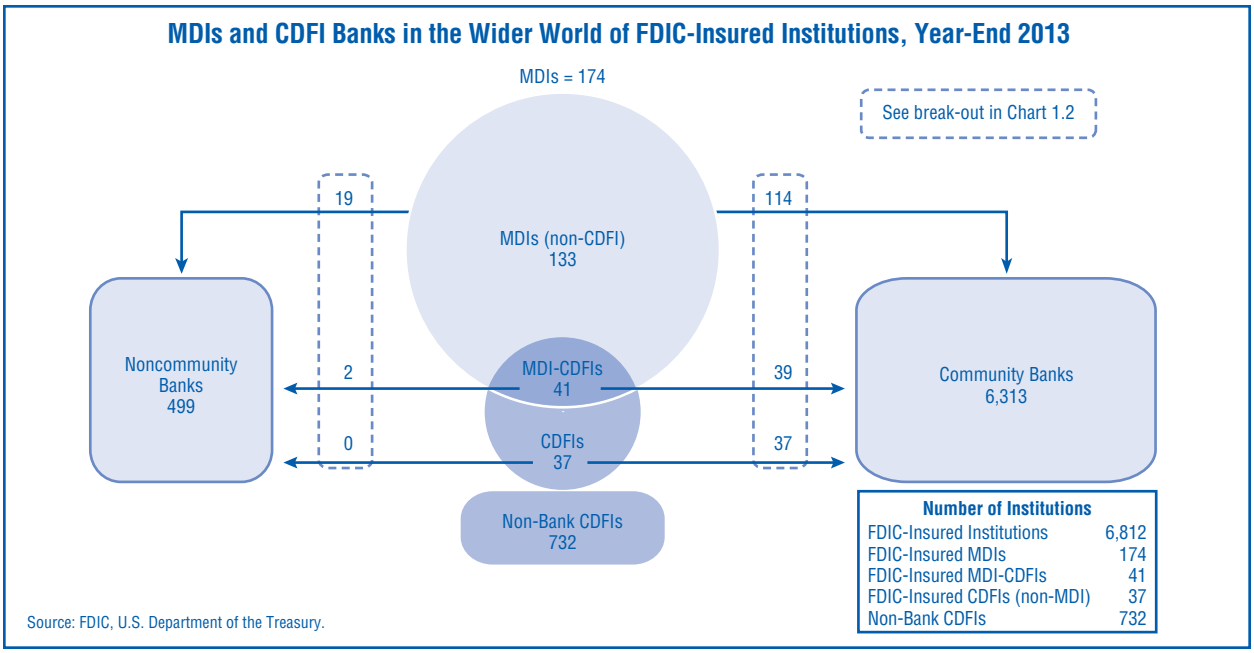
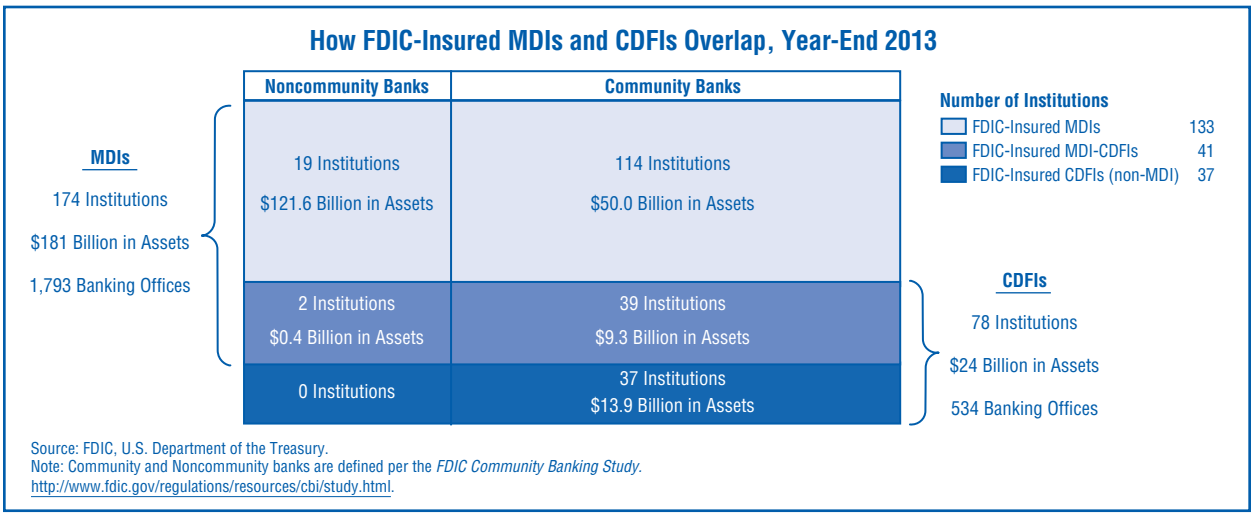


Chart 1.2



without also being designated an MDI. Similarly, not all MDIs are also certified as CDFIs, although some are certified as both.

MDIs and CDFI Banks in Context

When considered in the context of all FDIC-insured institutions, MDIs and FDIC-insured CDFIs have a number of similarities to the much larger industry segment commonly referred to as community banks. Among the 6,812 FDIC-insured institutions that reported at year-end 2013, some 6,313, or 93 percent, met the definition of a community bank as outlined in the 2012 *FDIC Community Banking Study* (see Chart 1.1). The remaining 499 FDIC-insured institutions are referred to as noncommunity banks. By way of comparison, some 88 percent of MDIs and 97 percent of FDIC-insured CDFIs also met the community bank definition at year-end 2013.

A closer examination of these entities reveals that the number of MDIs and FDIC-insured CDFIs is quite small compared with the universe of FDIC-insured institutions (see Chart 1.2). As of year-end 2013, 174 insured

institutions, with assets totaling $181 billion, were designated by the FDIC as MDIs, equaling 2.6 percent of the 6,812 insured institutions. The number of insured institutions certified as CDFIs is even smaller, totaling just 78, or 1.1 percent of all insured institutions, at year-end 2013. Of these 78 CDFI banks, 41 were also designated as MDIs. While the number of insured institutions that are certified as CDFIs is relatively small, there were more than 700 CDFIs that were not insured institutions.

Geography and Demographics of MDIs

For reasons of data availability, the remainder of this study focuses primarily on the 174 FDIC-insured institutions designated as MDIs. By limiting the study in this fashion, we are able to identify MDI charters going back to year-end 2001, which results in a study period that encompasses 13 years.

During the study period, the number of MDIs increased from 164 to 174 and their assets more than doubled, from $83 billion to $181 billion. While there are 22 MDIs with assets greater than $1 billion, most MDIs are relatively small. The median MDI held $198 million in total assets at year-end 2013, compared with $159 million in total assets at the median community bank.

In addition to their relatively small size, MDIs also tend to be younger institutions than non-MDIs. At year-end 2013, the median age of an MDI charter was 28 years, compared with 90 years for community banks (see Chart 1.3). Nearly one in five community bank charters were established before 1900, compared with only two of the 174 MDI charters that reported in 2013.

Most MDIs are owned or managed by individuals from a specific minority group. Thus MDIs may be designated as having a minority status of Asian or Pacific Islander American (Asian American), Black or African American (African American), Hispanic American, Native American or Alaskan Native American (Native American), or Multi-Racial American (Multi-Racial). Half of all MDIs at year-end 2013 were designated as serving Asian American communities (see Chart 1.4). Another 22 percent were designated as Hispanic American, with 5 Hispanic American MDIs located in Puerto Rico; 16 percent served African American communities; and 10 percent were serving the Native American community. Only two institutions were designated as Multi-Racial MDIs.

Chart 1.3

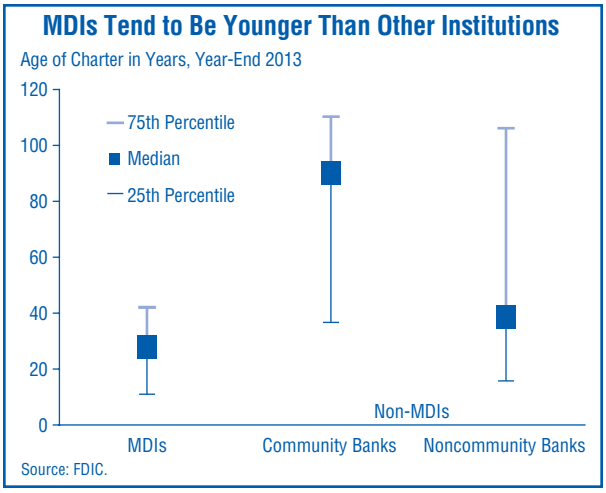


Chart 1.4

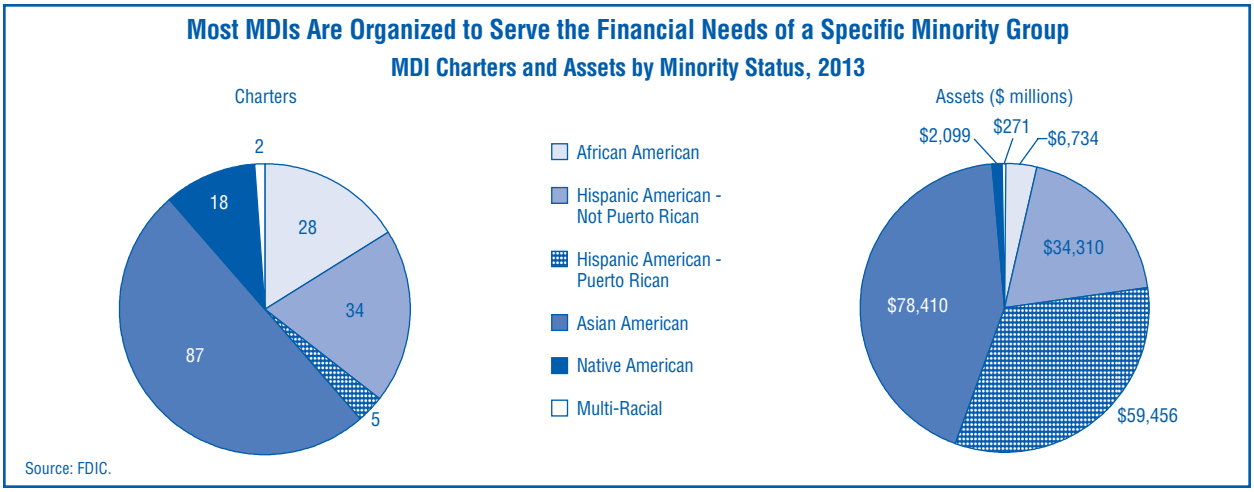


Table 1.1

The MDI Liability Structure Is Mostly Built Around Core Deposits						
December 31, 2013	MDIs		Non-MDIs			
			Community Banks		Noncommunity Banks	
Liability	Dollars in Billions	Percent of Assets	Dollars in Billions	Percent of Assets	Dollars in Billions	Percent of Assets
Core Deposits	$130	71%	$1,583	80%	$7,319	58%
Other Deposits	$13	7%	$52	3%	$2,095	17%
Short-Term Borrowings[a]	$6	3%	$38	2%	$683	5%
Long-Term Borrowings[b]	$3	2%	$48	2%	$279	2%
Other Liabilities	$8	4%	$44	2%	$768	6%
Equity Capital	$22	12%	$212	11%	$1,410	11%
Total Liabilities and Equity Capital	**$181**	**100%**	**$1,977**	**100%**	**$12,553**	**100%**

Source: FDIC. Amounts and percentages may not total due to rounding.
[a] Includes borrowings with a remaining maturity or time to next repricing of one year or less.
[b] Includes borrowings with a remaining maturity or time to next repricing of more than one year.

The largest share of MDI assets are held by Hispanic American MDIs, which held 52 percent of MDI assets at year-end 2013. Among these institutions, five Hispanic American MDIs headquartered in Puerto Rico held $59.5 billion in assets—nearly a third of all MDI assets. An additional 43 percent of MDI assets were held by Asian American MDIs. And while African American MDIs make up 16 percent of MDI charters, they held less than 4 percent of MDI assets at year-end 2013.

Balance Sheet Characteristics

As most MDI-designated institutions also meet the definition of a community bank as described in the *FDIC Community Banking Study*, their balance sheet characteristics generally resemble those of other community banks. Like community banks, MDIs have a liability structure primarily built on core deposits.[8] MDIs fund 71 percent of their portfolios through core deposits, a ratio that is slightly lower than the community bank core deposit ratio of 80 percent, but higher than the noncommunity bank ratio of 58 percent (see Table 1.1).

The asset portfolio of MDIs also resembles the community bank portfolio (see Table 1.2). Nearly half of MDI assets consist of loans secured by residential and commercial real estate, compared with 47 percent for community banks and 23 percent for noncommunity banks. Like community banks, MDIs also hold a disproportionate percentage of small loans to businesses and farms.[9] MDIs held almost $15 billion in loans to small business in 2013, equaling 2.2 percent of the industry total, despite holding only a 1.2 percent share of industry assets.

Lending Specialty Group

MDI institutions not only have a higher share of total loans secured by real estate, but also exhibit higher concentrations in loans secured by commercial real estate (CRE) lending than community or noncommunity banks. This is especially apparent when identifying CRE specialists according to the lending specialty definitions used in the *FDIC Community Banking Study*. At year-end 2013, 58 percent of MDIs met the definition of a commercial real estate specialist, compared with 22 percent of community banks (see Chart 1.5).[10] By

[8] Core deposits are defined as domestic deposits less brokered deposits. Historically, core deposits have been defined for analytical and examination purposes as the sum of demand deposits, all NOW and automatic transfer service accounts, money market deposit accounts, other savings deposits, and time deposits under $100,000. On March 31, 2011, this definition was revised to reflect the permanent increase in FDIC deposit insurance coverage from $100,000 to $250,000 and to exclude insured brokered deposits from core deposits. The definition used in the study provides consistency over time, since core deposits as defined before March 31, 2011, included some brokered deposits.

[9] Small commercial and industrial loans and small loans secured by nonfarm, nonresidential properties consist of loans with an original loan amount of less than $1 million, whereas small farmland loans and agricultural production loans have original loan amounts of less than $500,000.

[10] Using the definitions in the *FDIC Community Banking Study*, CRE specialists are defined as institutions holding construction and development (C&D) loans greater than 10 percent of assets or total CRE loans (C&D, multifamily, and secured by other commercial properties) greater than 30 percent of total assets, while not meeting any other single-specialist definition.

Table 1.2

MDI Asset Portfolios Resemble Those of Community Banks						
December 31, 2013	MDIs		Non-MDIs			
			Community Banks		Noncommunity Banks	
Loan or Asset Category	Dollars in Billions	Percent of Assets	Dollars in Billions	Percent of Assets	Dollars in Billions	Percent of Assets
Mortgage Loans[a]	$31	17%	$392	20%	$1,916	15%
Consumer Loans	$9	5%	$53	3%	$1,291	10%
Commercial Real Estate (CRE) Loans[b]	$59	32%	$526	27%	$998	8%
Construction and Development (C&D) Loans	$5	3%	$76	4%	$129	1%
Commercial and Industrial (C&I) Loans	$20	11%	$177	9%	$1,402	11%
Agricultural Loans[c]	$1	0%	$98	5%	$50	0%
Other Loans and Leases	$6	3%	$10	0%	$753	6%
Less: Loan Loss Provisions and Unearned Income	$1	1%	$3	0%	$30	0%
Net Loans and Leases	$124	68%	$1,253	63%	$6,381	51%
Securities	$28	16%	$455	23%	$2,518	20%
Other Assets	$29	16%	$268	14%	$3,666	29%
Total Assets	**$181**	**100%**	**$1,977**	**100%**	**$12,565**	**100%**

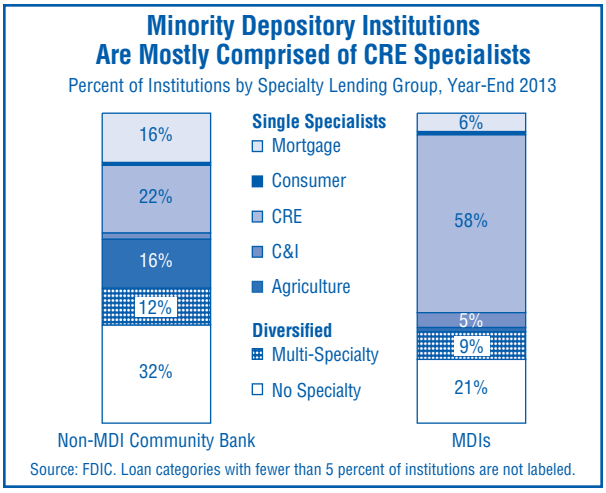
Source: FDIC. Amounts and percentages may not total due to rounding.

[a] Mortgage loans include home equity lines of credit, junior liens, and other loans secured by residential real estate.

[b] CRE loans include construction and development (C&D) loans, loans secured by multifamily properties, and loans secured by nonfarm nonresidential real estate.

[c] Agricultural loans include production loans and loans secured by farm real estate.

Chart 1.5



contrast, fewer than 10 percent of MDIs were categorized as mortgage, commercial and industrial (C&I), or multi-specialty, while 21 percent of MDIs were categorized as diversified nonspecialists.

Over the past decade, MDIs have migrated to the CRE specialty group from other lending groups. A number of MDIs changed their lending strategy during this period from a focus on mortgage or C&I lending to specialize in CRE lending. The bulk of this shift came from MDIs that previously had a more diversified portfolio and met none of the lending specialty criteria. In 2002, 31 percent of MDIs had no lending specialty. By 2013, this number had fallen to 21 percent.

Among minority status groups, Asian American MDIs had the highest concentration of CRE specialists in 2013 at 74 percent. However, more than half of all African American MDIs were also CRE specialists in 2013.

Although a relatively large share of MDIs have a CRE specialization, it is worth noting that not all CRE loans bear the same risk. The risk profile of CRE loans may vary widely based on the property and occupancy type of the collateral. For example, CRE loans may consist of loans that finance construction and development projects, are secured by multifamily properties, or are secured by so-called nonfarm nonresidential properties. Chart 1.6 shows that of the total CRE loans held by MDIs in 2013, more than three-fourths were loans secured by nonfarm, nonresidential properties. And nearly 30 percent of all CRE loans were secured by owner-occupied commercial properties. In many cases, these loans closely resemble C&I loans, where real estate collateral has been attached in an abundance of

Chart 1.6

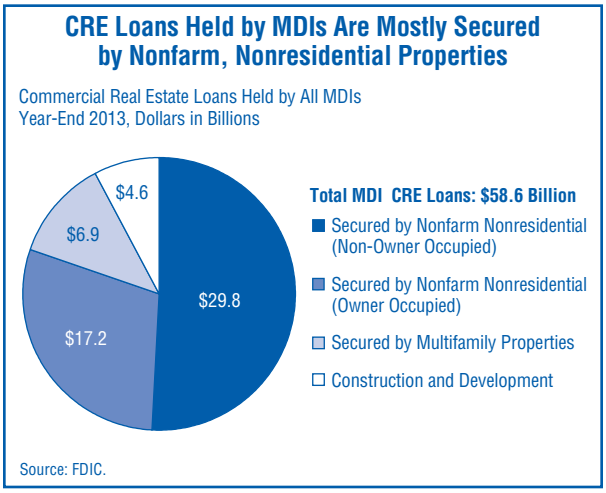
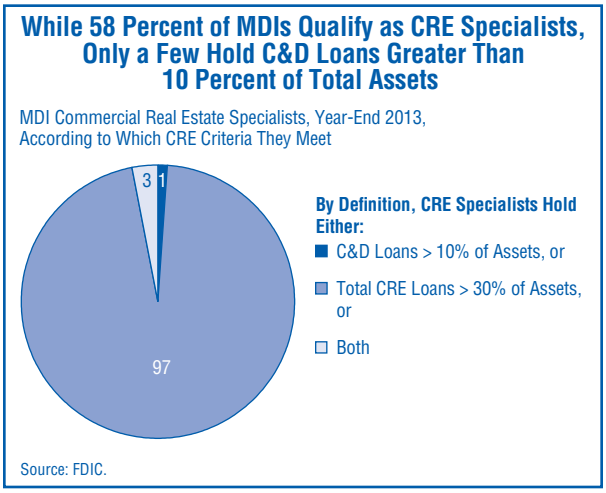


Chart 1.7



caution. As documented in the *FDIC Community Banking Study*, this type of lending has increased throughout the industry over the past several decades.[11] In addition, in terms of credit losses, these owner-occupied CRE loans performed somewhat better, on average, than unsecured C&I loans in the recent crisis.

The *FDIC Community Banking Study* also indicated that construction and development loans have generally performed worse than other CRE loan types during real estate downturns, and concentrations in construction and development (C&D) lending were associated with higher rates of failure during these periods of adversity. Although MDIs held $4.6 billion in C&D loans as of year-end 2013, few MDIs have concentrations in this type of lending. Only four of the MDIs that met the CRE lending specialist criteria in 2013 had a 10 percent concentration in C&D loans, comprising 4 percent of all MDIs that met the CRE criteria (see Chart 1.7). This is a much smaller percentage than the 16 percent of community bank CRE lenders that had a C&D concentration at year-end 2013.

Section Summary

Over time, a series of legislative, regulatory, and executive actions have been taken to further the goal of ensuring access to financial services by underserved populations and to encourage investment in and support of low- and moderate-income households and communities. Congress has enacted laws to provide a designation process for minority depository institutions as well as a certification process for community development financial institutions. Institutions that meet these definitions may benefit from programs created to support their provision of financial services to underserved consumers and communities.

Compared with the more than 6,800 insured financial institutions, the number of minority depository institutions and insured institutions that are certified as community development financial institutions is quite small. MDIs serve a number of minority groups, with half of MDIs bearing an Asian American minority status, followed by a large share of MDIs with a Hispanic American minority status. Finally, the balance sheet characteristics of MDIs generally resemble those of community banks. The following section considers the geography of MDIs and CDFI banks.

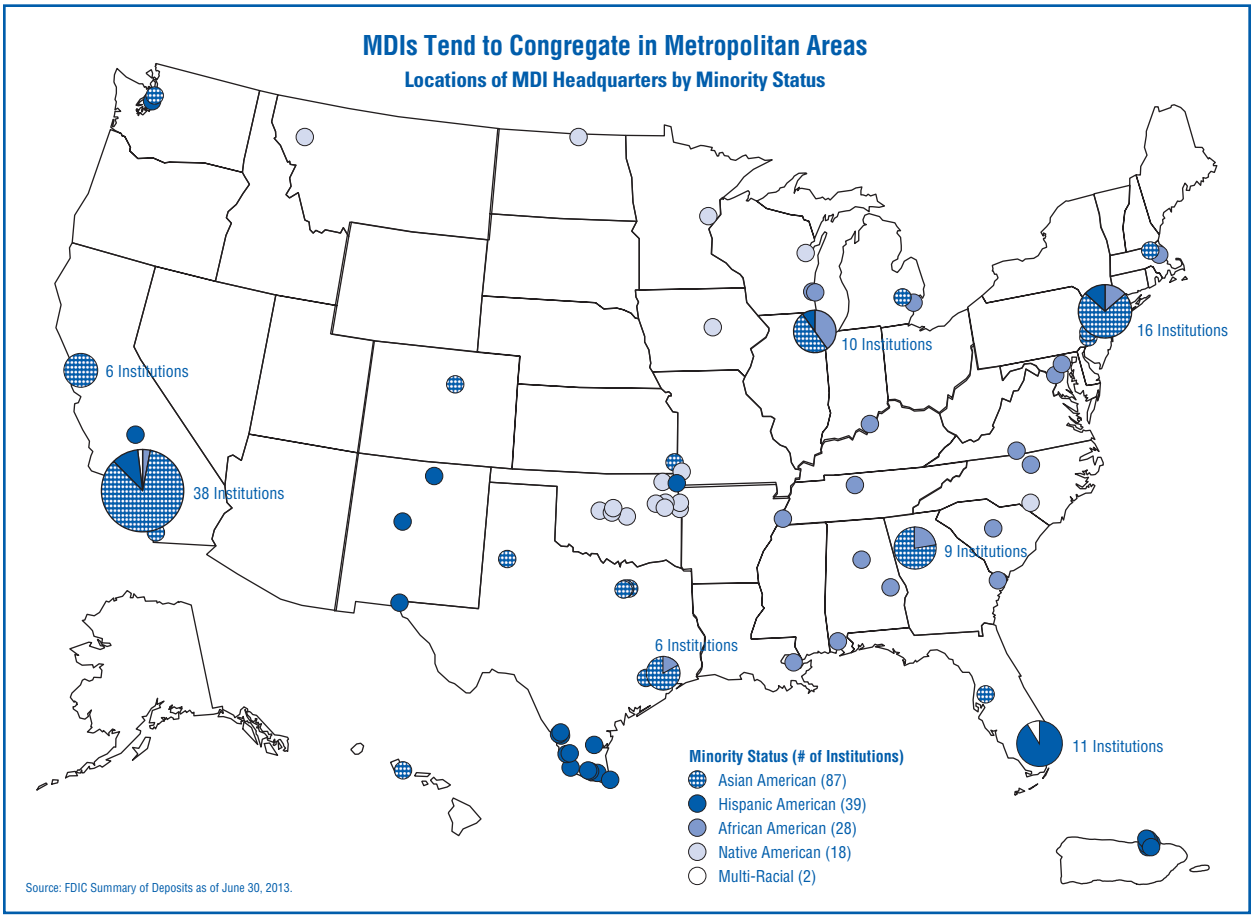
Section 2. The Geography of MDIs and FDIC-Insured CDFIs

As the report will demonstrate when discussing social performance of minority depository institutions, MDIs are naturally linked to geographic areas that reflect the communities they seek to serve. The 174 MDI headquarters locations are mostly found in a relatively small number of metropolitan areas. However, these same institutions maintain nearly 1,800 offices that are somewhat more widely distributed. This section describes the geographic characteristics of MDI headquarters and office locations, examines their market share, and briefly describes the geographic characteristics of FDIC-insured CDFI institutions.

Map 2.1 highlights a number of regional concentrations of MDI headquarters locations according to their

[11] For an extended discussion of the comparative risks of various types of CRE lending, see Chapter 5 of the *FDIC Community Banking Study*, 2012, http://www.fdic.gov/regulations/resources/cbi/report/CBSI-5.pdf.

Map 2.1



minority status. By way of explanation, the headquarters of MDIs in large metropolitan areas are depicted as pie charts, with the size of the pie increasing with the number of MDIs headquartered in each city and the slices of the pie indicating the breakdown of those institutions by minority status. In the case of metropolitan and nonmetropolitan areas with few MDIs, each headquarters location is shown as a smaller circle. This depiction of MDI headquarters shows a cluster of Hispanic American MDIs in Texas, Florida, and Puerto Rico. African American MDIs tend to be concentrated in the eastern half of the United States, while Native American MDIs are concentrated in Oklahoma and the northern plains.

Overall, more than half of all MDIs reporting at year-end 2013 were headquartered in the four most populous U.S. states: California, Texas, New York, and Florida. California has by far the largest number of MDIs, with the 46 MDIs headquartered there representing more than one-quarter of all MDI charters (see Table 2.1). California is also home to the largest number of MDI offices with 393, or more than one-fifth of all U.S. MDI offices. Texas has the second-largest number of MDI charters with 22 MDI institutions operating 306 banking offices. Puerto Rico only has five MDIs, but it is also home to a total of 389 MDI banking offices, representing 22 percent of all U.S. MDI offices at year-end 2013.

Map 2.1 also shows that MDI headquarters tend to be concentrated in metropolitan areas. In all, some 87 percent of MDI headquarters offices are located in one of the nation's 388 metropolitan areas.[12] In fact, 60 percent

[12] The Office of Management and Budget delineates metropolitan, micropolitan, and combined statistical areas. A revised delineation was issued on February 28, 2013, http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b13-01.pdf. Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. Micropolitan Statistical Areas have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

Table 2.1

Top Ten MDI Headquarters Locations by State

State	Number of Charters	Percent of Charters	Number of Offices	Percent of Offices
California	46	26%	393	22%
Texas	22	13%	306	17%
New York	13	7%	117	7%
Florida	12	7%	115	6%
Oklahoma	11	6%	86	5%
Georgia	10	6%	41	2%
Illinois	10	6%	70	4%
Puerto Rico	5	3%	389	22%
Hawaii	4	2%	32	2%
*New Jersey	3	2%	30	2%
*Guam	3	2%	20	1%
*Alabama	3	2%	10	1%
*Pennsylvania	3	2%	7	0%
*Wisconsin	3	2%	5	0%
Other States	26	15%	172	10%
Total	**174**	**100%**	**1,793**	**100%**

Source: FDIC.
Note: Headquarters are as of December 31, 2013. Offices are as of June 30, 2013, as reported in the 2013 Summary of Deposits.
Offices include those physically located in each state, as opposed to the number of MDI offices operated by the MDIs headquartered in each state.
*Shaded states tied for the tenth-largest number of charters located in the state.

Table 2.2

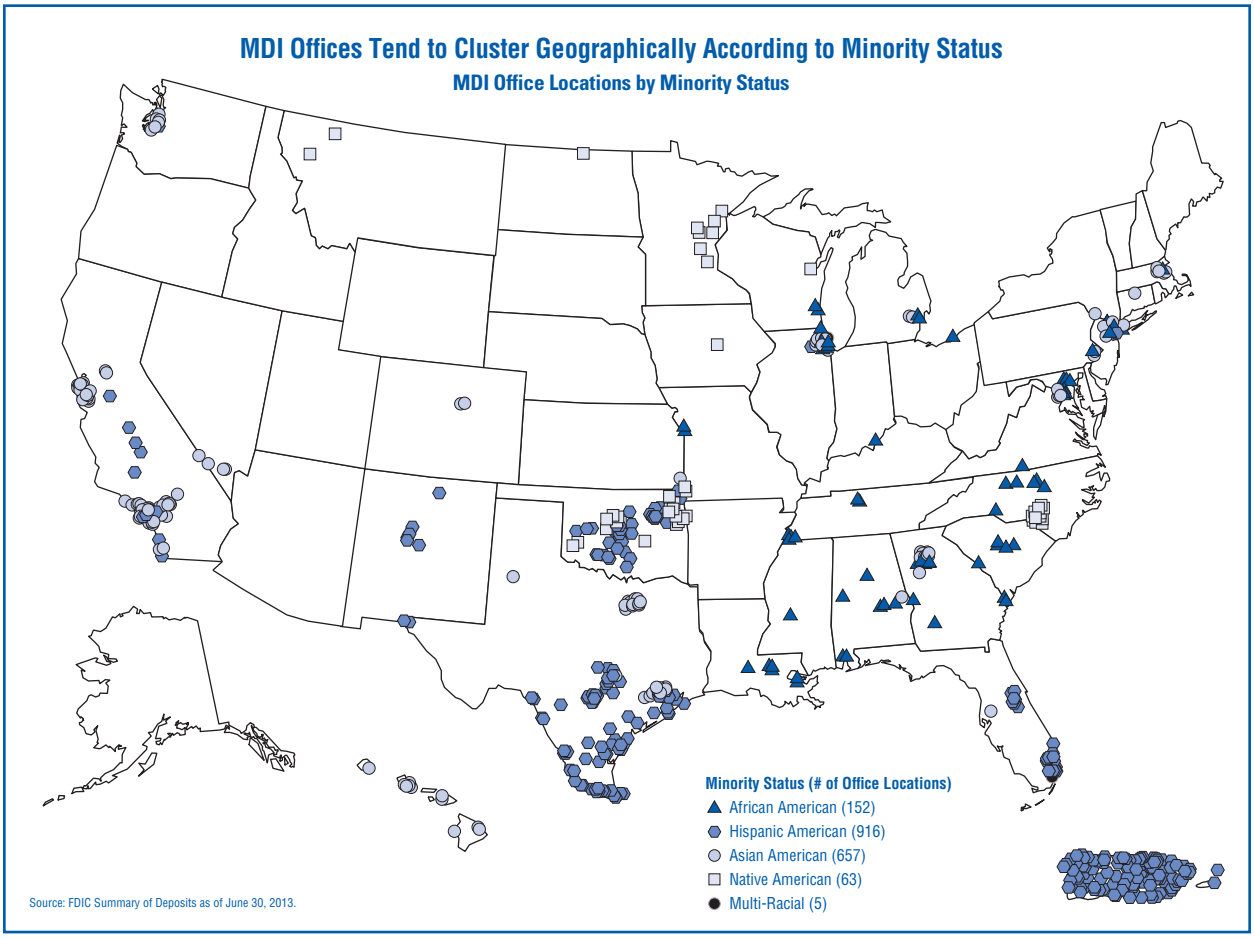
Top Ten MDI Headquarters Locations by Metro Area

Metro Area	Number of Charters	Percent of Charters	Number of Offices	Percent of Offices
Los Angeles-Long Beach-Anaheim, CA	38	22%	280	16%
New York-Newark-Jersey City, NY-NJ-PA	16	9%	147	8%
Miami-Fort Lauderdale-West Palm Beach, FL	11	6%	103	6%
Chicago-Naperville-Elgin, IL-IN-WI	10	6%	70	4%
Atlanta-Sandy Springs-Roswell, GA	9	5%	35	2%
Houston-The Woodlands-Sugar Land, TX	6	3%	62	3%
San Francisco-Oakland-Hayward, CA	6	3%	56	3%
San Juan-Carolina-Caguas, PR	5	3%	268	15%
Urban Honolulu, HI	4	2%	24	1%
*McAllen-Edinburg-Mission, TX	3	2%	51	3%
*Dallas-Fort Worth-Arlington, TX	3	2%	30	2%
*Oklahoma City, OK	3	2%	30	2%
*Laredo, TX	3	2%	25	1%
*Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	3	2%	7	0%
Other Metros (26)	31	18%	430	24%
Nonmetro Areas (17)	23	13%	175	10%
Total	**174**	**100%**	**1,793**	**100%**

Source: FDIC.
Note: Headquarters are as of December 31, 2013. Offices are as of June 30, 2013, as reported in the 2013 Summary of Deposits.
*Shaded cities tied for the tenth-largest number of charters located in a metropolitan area.

of all MDI headquarters are located in just 9 cities, and another 46 MDIs are headquartered in 31 other metropolitan areas (see Table 2.2). Among the largest cities, 38 MDIs are headquartered in greater Los Angeles, 16 are headquartered in New York, 11 are headquartered in Miami, and 10 are headquartered in Chicago. The remaining 13 percent of MDI headquarters offices, shown as medium-sized dots on the map, are located in 17 nonmetropolitan areas. Nearly half (48 percent) of these nonmetro institutions are Native American MDIs.

Map 2.2



MDI branch offices are similarly distributed across metro and nonmetro areas, with similar geographic concentrations based on minority status (see Map 2.2). Among the 1,793 offices maintained by MDIs as of June 30, 2013, 58 percent were located among the top 9 metro areas shown in Table 2.2, an additional 24 percent were located in 26 other metro areas, and 175 branch offices, or 10 percent, were located in 17 nonmetro areas.

The fact that MDI headquarters and office locations are distributed in a similar fashion across the country is attributable in part to the relatively small geographic footprint of most MDIs. Similar to community banks, MDIs establish branch offices in areas they are familiar with near their headquarters location. Three-fourths of MDIs have offices located in three or fewer counties, compared with 83 percent of community bank offices (see Chart 2.1).

The close proximity of MDI branch offices may also be related to the relatively small number of offices operated by these institutions. With the exception of Hispanic American MDIs, most MDIs have relatively few offices. On average, MDIs serving Asian American, African American, Native American, and multi-racial communities operated fewer than eight offices each (see Chart 2.2). In stark contrast, MDIs that focus on the Hispanic American community tend to operate somewhat larger branch networks. Hispanic American MDIs operated 896 offices in Florida, Oklahoma, Puerto Rico, and Texas, for an average of 24 offices per institution. However, this average is heavily influenced by the 389 MDI banking offices in Puerto Rico. Even when excluding the Puerto Rico MDI offices, Hispanic American MDIs still operate an average of 15 offices per institution, more than twice as many as any other group.

Market Share

Because so many of their headquarters and branch offices are located in metropolitan areas, MDIs tend to hold a relatively low share of their local banking

Chart 2.1

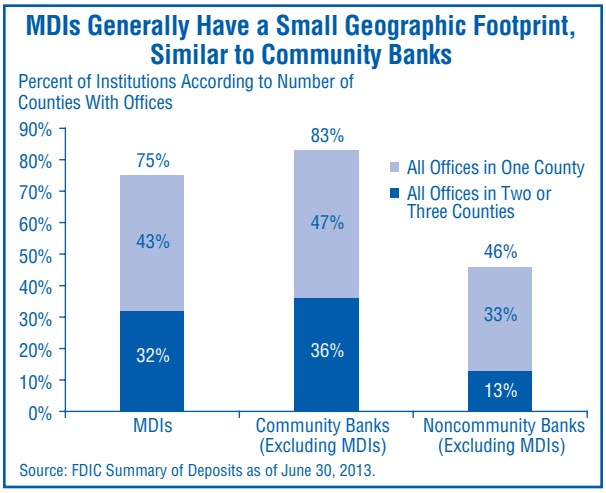


Chart 2.2

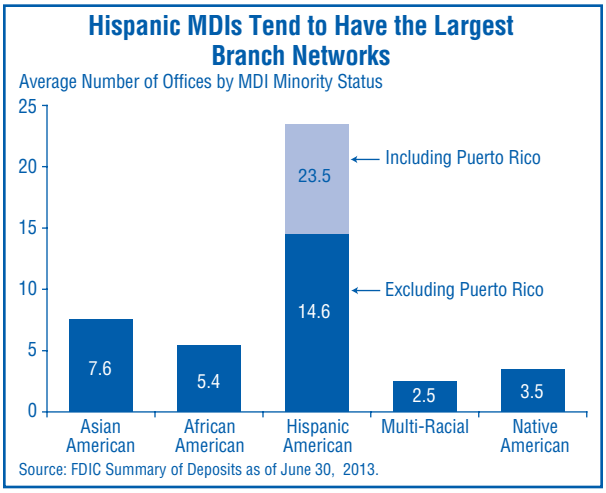


Table 2.3

Top Ten Large Metro Counties by MDI Deposit Market Share

County	Metro	State	MDI Deposits ($000)	MDI Market Share (Percent)
Logan	Oklahoma City	OK	$157,368	48.3%
Webb	Laredo	TX	2,564,258	46.3%
Hidalgo	McAllen	TX	2,590,891	26.7%
Cameron	Brownsville	TX	1,024,956	24.9%
Valencia	Albuquerque	NM	99,696	18.6%
Los Angeles	Los Angeles	CA	30,890,448	10.2%
Miami-Dade	Miami	FL	8,328,806	8.8%
Canadian	Oklahoma City	OK	118,444	7.5%
Hoke	Fayetteville	NC	7,771	7.0%
DeKalb	Atlanta	GA	555,792	6.8%
Total Metro			**131,792,042**	**1.5%**

Source: FDIC calculations based on data from the Summary of Deposits and the 2010 Census.
Note: Includes counties of the 50 states and DC with more than 40,000 people in metropolitan areas with total population greater than 250,000. Total Metro includes all counties in metropolitan areas.

market deposits. One way to measure market share is by use of the reported deposits held by individual banking offices as found in the FDIC Summary of Deposits (SOD).[13] MDIs held just 1.5 percent of the metro office deposits of all FDIC-insured institutions in 2013. However, there were four U.S. metropolitan counties that were part of metro areas with populations greater than 250,000 where MDIs held a deposit-market share of at least 25 percent (see Table 2.3).[14] MDIs hold a sizable market share even in some of the largest U.S. metropolitan counties. For instance, they hold more than 10 percent of metro-area deposits in Los Angeles County and nearly 9 percent of metro-area deposits in Miami-Dade County, with combined populations of more than 12 million and MDI deposits of more than $39 billion.

With so many MDIs located in metropolitan areas, micropolitan and rural counties are home to relatively

[13] Data on total banking offices are collected through the Summary of Deposits (SOD), which provides a detailed record of each individual banking office, its location, and total deposits, starting in 1987. The SOD covers all FDIC-insured institutions including insured U.S. branches of foreign banks. Banking offices are defined to include all offices and facilities that actually hold deposits, and do not include loan production offices, computer centers, and other nondeposit installations, such as automated teller machines (ATMs).

[14] These market shares exclude counties in U.S. territories, such as Puerto Rico, where MDIs control more than 90 percent of local deposits in 56 counties.

Table 2.4

Top Ten Nonmetro Counties by MDI Deposit Market Share				
County	Area	State	MDI Deposits ($000)	MDI Market Share (Percent)
Zapata	Micropolitan	TX	$292,612	100.0%
Starr	Micropolitan	TX	344,353	72.7%
Maverick	Micropolitan	TX	450,900	71.7%
Adair	Rural	OK	114,730	65.0%
Taos	Micropolitan	NM	162,091	38.7%
Calhoun	Micropolitan	TX	147,508	33.5%
Macon	Rural	AL	25,788	27.8%
Jim Hogg	Rural	TX	41,269	25.9%
Cherokee	Micropolitan	OK	98,500	25.8%
Robeson	Micropolitan	NC	253,394	25.2%
Total Nonmetro			**6,740,152**	**0.9%**

Source: FDIC calculations based on data from the Summary of Deposits and the 2010 Census.
Note: The list of top ten nonmetro counties excludes counties in U.S. territories. The total MDI market share for nonmetro counties includes counties in U.S. territories.

Table 2.5

Top Ten Headquarters Locations by State								
MDI Excluding CDFI MDIs			MDIs That Are Also CDFIs			Insured CDFIs That Are Not MDIs		
State	Number of Charters	Percent of Charters	State	Number of Charters	Percent of Charters	State	Number of Charters	Percent of Charters
CA	39	29	CA	7	17	MS	12	32
TX	22	17	IL	7	17	CA	4	11
FL	12	9	OK	3	7	IL	4	11
NY	11	8	GA	3	7	GA	2	5
OK	8	6	NY	2	5	AL	2	5
GA	7	5	AL	2	5	OK	1	3
PR	5	4	PA	2	5	NY	1	3
HI	4	3	TN	2	5	WI	1	3
GU	3	2	NJ	1	2	DC	1	3
IL	3	2	WI	1	2	KY	1	3
15 Other States	19	14	11 Other States	11	27	8 Other States	8	22
Total	**133**	**100**	**Total**	**41**	**100**	**Total**	**37**	**100**

Source: FDIC.
Note: Charters are as of December 31, 2013.

few MDIs, and they hold less than 1 percent of local deposits in these markets. However, there are selected nonmetro areas in which MDIs hold a much larger deposit market share. Excluding U.S. territories, MDIs held more than a 9 percent deposit market share in 27 micropolitan and rural counties in 2013. Many of these counties, such as those in Oklahoma, New Mexico, and Montana, are served by Native American institutions. The top ten nonmetro counties by MDI deposit market share are shown in Table 2.4.

FDIC-Insured CDFI Locations Differ From Non-CDFI MDI Markets

In 2013, there were 37 FDIC-insured institutions certified as CDFIs that were not also designated as minority depository institutions. These non-MDI CDFI banks have a geographic footprint that differs from most MDIs. Whereas most MDIs are highly concentrated in the four most populous states, the 37 FDIC-insured CDFIs that are not MDIs are concentrated in Mississippi, Illinois, and California (see Table 2.5). Together,

Table 2.6

Top Ten Office Locations by State								
MDI Excluding CDFI MDIs			MDIs That Are Also CDFIs			Insured CDFIs That Are Not MDIs		
State	Number of Offices	Percent of Offices	State	Number of Offices	Percent of Offices	State	Number of Offices	Percent of Offices
PR	389	24	IL	41	20	MS	185	56
CA	364	23	CA	29	14	AL	27	8
TX	306	19	NY	25	12	AR	23	7
FL	114	7	GA	18	9	IL	12	4
NY	92	6	LA	12	6	LA	12	4
OK	81	5	MD	9	4	SC	12	4
HI	32	2	AL	8	4	GA	10	3
IL	29	2	NC	8	4	CA	9	3
NJ	24	2	DC	6	3	MN	8	2
GA	23	1	NJ	6	3	OR	6	2
25 Other States	136	9	16 Other States	41	20	11 Other States	27	8
Total	**1,590**	**100**	**Total**	**203**	**100**	**Total**	**331**	**100**
Average Number of Offices Per Charter:		12.0	Average Number of Offices Per Charter:		5.0	Average Number of Offices Per Charter:		8.9
	Excl. PR	9.4						

Source: FDIC.
Note: Charters are as of December 31, 2013.

Table 2.7

Location of Charter by Metro and Nonmetro Area						
	MDI Excluding CDFI MDIs		MDIs That Are Also CDFIs		Insured CDFIs That Are Not MDIs	
Area	Number of Charters	Percent of Charters	Number of Charters	Percent of Charters	Number of Charters	Percent of Charters
Metro	115	86.5	36	87.8	19	51.4
Nonmetro	18	13.5	5	12.2	18	48.6
Total	**133**	**100**	**41**	**100**	**37**	**100**

Source: FDIC.
Note: Charters are as of December 31, 2013.

these states represent more than half (54 percent) of all non-MDI FDIC-insured CDFI charters.

Not only are non-MDI FDIC-insured CDFIs concentrated in a few states, but more than half of their banking offices are located in Mississippi. This is in part due to the larger size and branching network of Mississippi banks that are certified as CDFIs, as well as the higher percentage of low-income households in Mississippi. (Among all states, Mississippi has the highest percentage population living below the poverty level.) The 12 FDIC-insured CDFIs headquartered in Mississippi have on average 15 offices each (see Table 2.6).

Non-MDI CDFI banks also differ from MDIs in terms of the share located in nonmetropolitan areas. While almost 90 percent of MDIs are headquartered in metro areas, only about half (51.4 percent) of non-MDI FDIC-insured CDFIs are headquartered in metro areas (see Table 2.7).

Section Summary

Minority depository institutions are naturally linked to geographic areas that reflect the communities they seek to serve. As a result, most MDIs are headquartered in a handful of the most populous states. In addition, a large majority of the headquarters and branch offices of these institutions are located in large metropolitan areas. Due

to the concentration of MDI headquarters and branch offices in large metro areas, MDIs generally hold a relatively small share of their local market. Nonetheless, there are a few large counties, including Los Angeles and Miami-Dade, where MDIs hold a rather significant share of total bank deposits. Minority depository institutions also hold a sizable share of deposits in some micropolitan and rural counties, although their overall presence in nonmetro areas is small. The concentration of MDI offices in a limited number of metropolitan areas is to some extent attributable to the relatively small geographic footprint of MDIs, with most MDI offices being located in an area of three counties or less. With the exception of Hispanic American MDIs, most MDIs operate a relatively small number of banking offices.

Unlike MDIs, insured institutions that are certified as CDFIs, but are not also MDIs, tend to be concentrated in Mississippi, Illinois, and California, with more than half of their banking offices located in Mississippi. Finally, unlike MDIs, only about half of these FDIC-insured CDFIs are located in metropolitan areas.

Section 3. Structural Change Among Minority Depository Institutions

The financial services industry has experienced significant change over the past three decades as a result of failures, mergers between banking organizations, the consolidation of charters within existing organizations, and newly chartered institutions. During the 13-year study period covered by the report, the MDI sector has also experienced a great deal of structural change. Not only has it experienced even greater structural change than community banks as a whole during this period, but the sources of this change have been somewhat unique to the MDI sector. This section further details the nature of structural change in the MDI sector between 2001 and 2013.

Number of Charters

During the study period, MDIs increased in absolute number, from 164 charters in 2001 to 174 in 2013. As previously noted, MDI assets have more than doubled over this period, from $83 billion to $181 billion. However, as reflected in Chart 3.1, the size of the MDI sector peaked near the beginning of the recent financial crisis, and has trended downward since that time in both absolute and relative terms.

The decline in the size of the MDI sector is related to a number of factors, the most important of which has been bank failures. Over the entire study period, MDIs were about three times as likely to fail as all other banks. Between year-end 2001 and 2013, 33 MDIs failed (see Chart 3.2, lower right). The number of MDI charters has also declined as a result of voluntary mergers. During the study period, 29 MDIs were acquired by non-MDI financial institutions, and an additional 28 MDIs were acquired by other MDIs (lower left). There has also been a sharp slowdown in the chartering of new MDIs, with only 6 being created since 2007, whereas 33 new MDIs were chartered between 2005 and 2007 (upper left).

Over the past 13 years, a large number of preexisting institutions were designated as MDIs, while fewer institutions lost MDI status (Chart 3.2, upper right). This

Chart 3.1

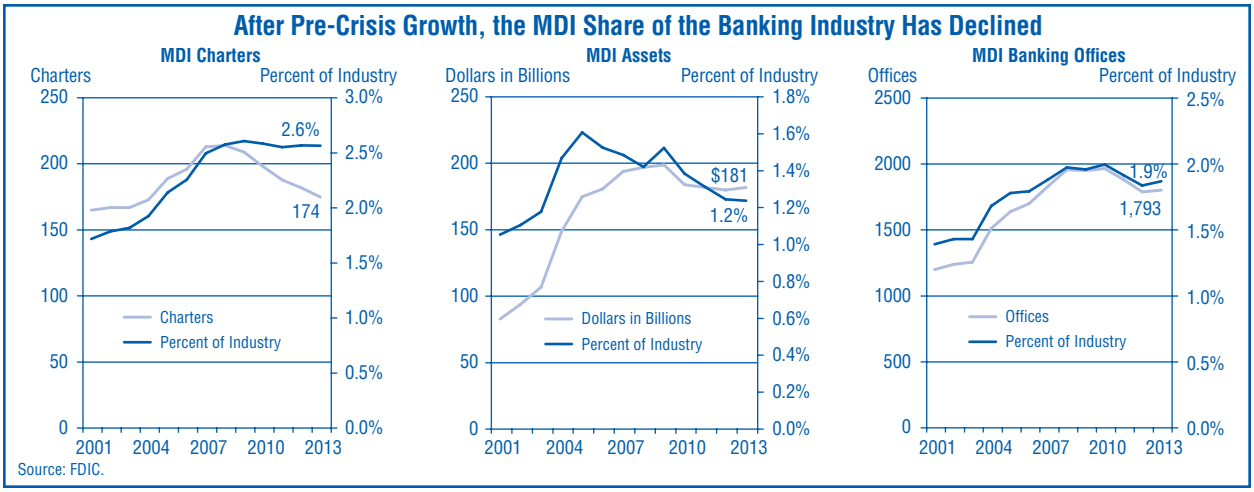
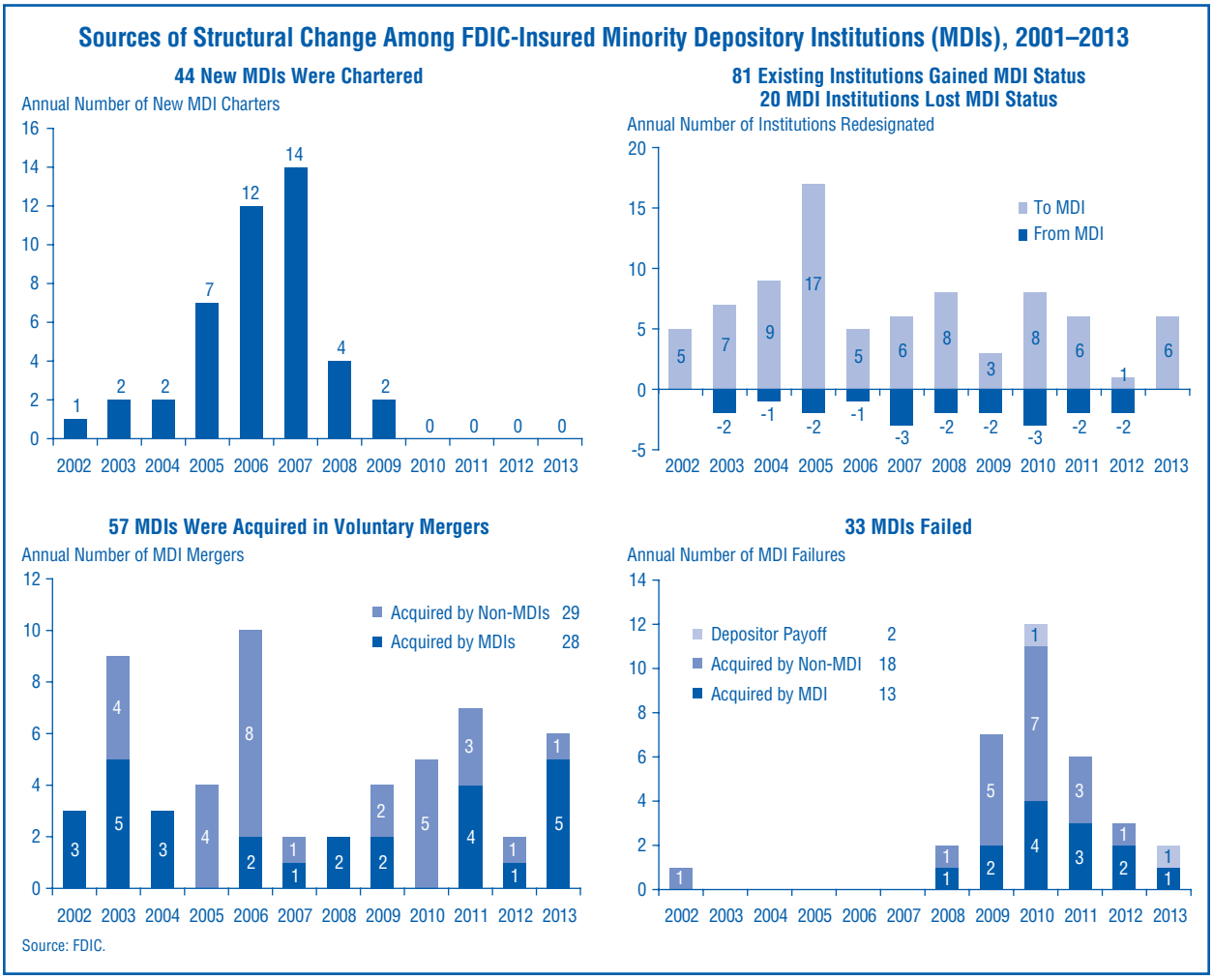


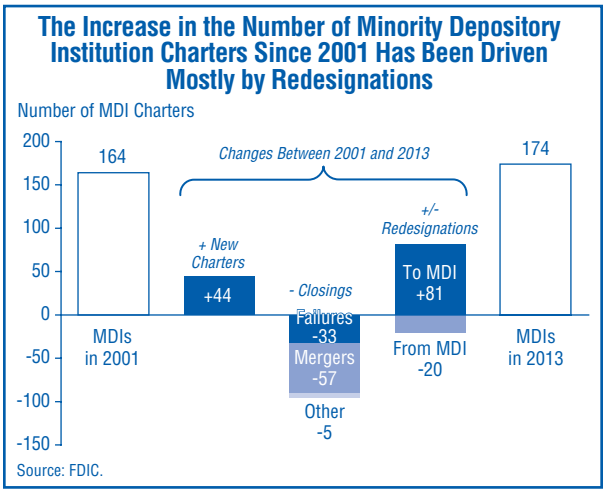
Chart 3.2



was the most important source of growth for the MDI sector over much of the study period.

Chart 3.3 depicts the net effect of new charters, mergers, failures, and redesignations over the study period. A total of 81 institutions were redesignated as MDIs during the study period, compared with 20 institutions that lost MDI status, making redesignation the most important factor behind the net increase in the number of MDIs over the study period.

Chart 3.3



Impact of Structural Change on the Assets Controlled by MDIs

As minority depository institutions have failed or merged, concerns have been expressed that these institutions are being acquired by entities that may not be focused on addressing the financial needs of minority

communities. Indeed, one of the stated goals of Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act is to "preserve the minority character in cases of merger or acquisition." But despite acquisition of 88 MDIs during the study period, most of the assets of these institutions have been acquired by other MDIs (see Chart 3.4). Of the 57 MDIs acquired through voluntary mergers during the study period, slightly less than half (28 institutions) were acquired by other MDIs. In addition, of the 33 MDIs that failed during the study period, 13 (39 percent) were acquired by other MDIs. Although these percentages might appear low at first glance, it is important to point out that a much larger share of the total assets of closed MDIs remained under the control of other MDIs after acquisition. In all, nearly two-thirds of the assets of the merged institutions and 87 percent of the assets of the failed institutions wound up staying with MDI acquirers.

While every segment of the banking industry has undergone structural change in recent years, the MDI population has been relatively volatile compared with other types of institutions. For example, MDIs were about half as likely as community banks as a whole to operate continuously (that is, in the absence of structural change or group redesignation) throughout the study period (see Chart 3.5). Only 30 percent of MDIs operated continuously throughout the study period, compared with 57 percent of community banks. This volatility in the MDI population tends to complicate time series analysis, as changes in the population sometimes matter as much or more than changes in performance.

Changes in Minority Status Designation

As the MDI sector has changed over time, so has its composition in terms of minority status. The most prominent change to this composition has been the increase in the share of MDIs that have an Asian American minority status. Since 2001, the number of MDIs with this minority status increased by about a third. By 2013, Asian American institutions represented half of all MDIs (see Chart 3.6). The number of Hispanic American MDIs grew from 23 institutions in 2001 to 34 in 2013, representing 19.5 percent of MDI charters. Meanwhile, the number of African American MDIs declined by more than one-third during this period and they represented fewer than one-fifth of all MDIs at year-end 2013, compared with nearly a third of all MDIs in 2001.

Chart 3.4

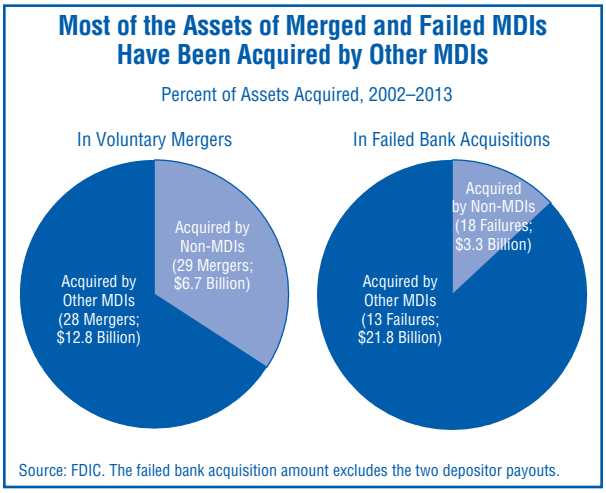


Chart 3.5

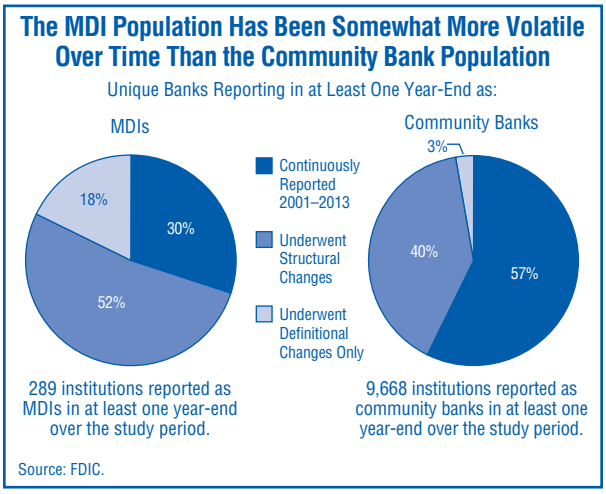
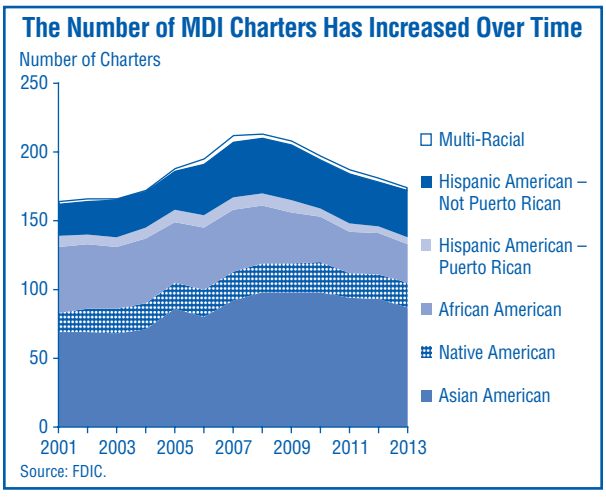


Chart 3.6



As the composition of MDI minority status groups changed over the period, the share of MDI assets also shifted. In 2001, Asian American institutions held 23 percent of MDI assets. By year-end 2013, their share of MDI assets had nearly doubled to 43 percent. The assets of Hispanic American MDIs also grew rapidly, rising more than two-thirds during the study period and leaving them with 52 percent of total MDI assets in 2013. Hispanic American MDIs in Puerto Rico made up over one-third of total MDI assets in 2013. Finally, African American, Native American, and Multi-Racial MDIs held 4 percent or less of MDI assets at year-end 2013.

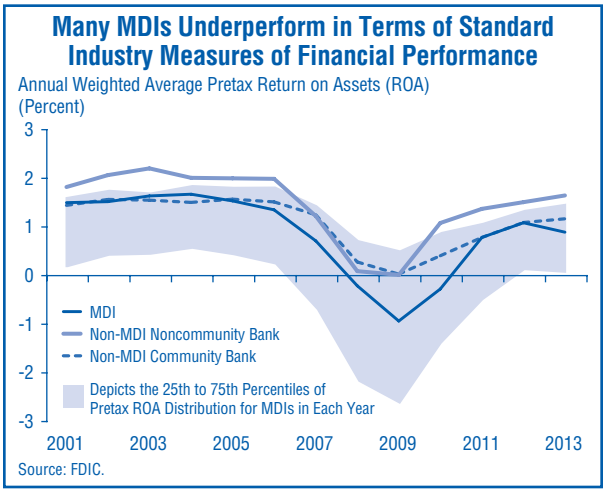
Section Summary

Like other groups of depository institutions, the MDI banking segment experienced significant structural change during the 2001–2013 period of this study. The number of MDI charters has fluctuated as new MDIs were chartered, existing institutions were designated as MDIs, existing MDIs were acquired by other institutions, and some MDIs failed. In fact, compared with the industry overall, and especially community banks, the MDI population has experienced significant volatility, with relatively few MDIs operating continuously throughout the study period. The composition of the MDI segment has also changed over time, as the share of MDIs with an Asian American or Hispanic American minority status has increased and the share of African American MDIs has declined.

Section 4. Financial Performance of Minority Depository Institutions

As described in earlier sections, the MDI segment is relatively small, with only 174 out of 6,812 FDIC-insured institutions being designated as MDIs at year-end 2013. In addition, this industry segment has changed significantly during the study period and has demonstrated greater volatility than other industry segments. These factors make long-term group comparisons of MDI performance difficult. Nonetheless, it is instructive to compare the relative performance of MDIs with other groups of institutions, both in terms of standard measures of financial performance (this section) and in terms of social impact (Section 5). This section describes the financial performance of MDIs between year-end 2001 and year-end 2013, compared with two groups: community and noncommunity banks that are not designated as MDIs (so-called non-MDI community banks and non-MDI noncommunity banks). Section 2 has already described how MDIs more closely resemble community banks than noncommunity banks in terms of size and balance sheet characteristics.

Chart 4.1



This section finds that while the financial performance of MDIs also more closely resembles that of community banks than noncommunity banks, MDIs tend to underperform both groups in terms of standard measures of financial performance. Several factors that may contribute to this difference in performance are also explored, including the concentration of MDIs in metropolitan areas, many of which experienced extreme financial distress during the recession, as well as the relatively young age of MDIs.

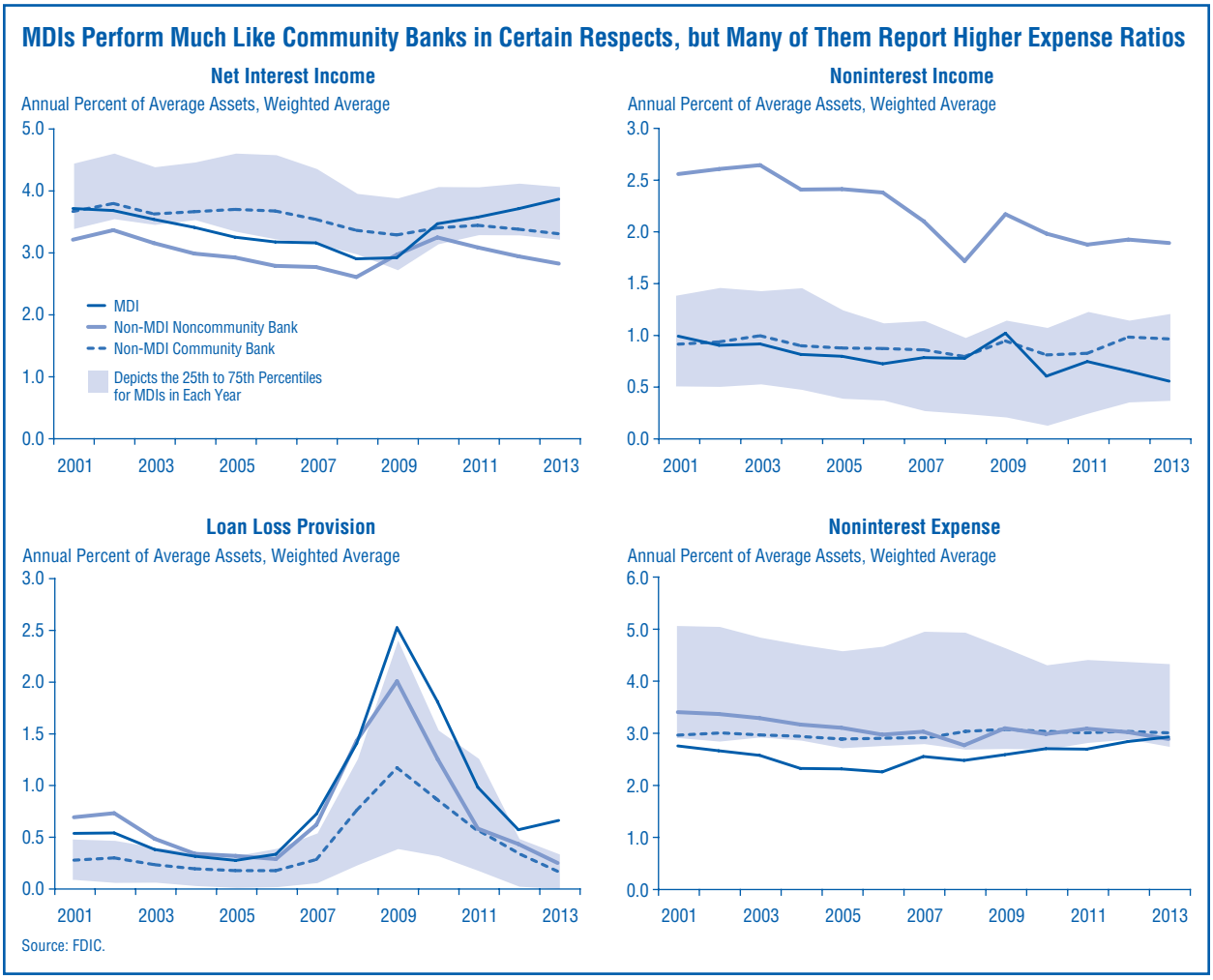
Profitability

One of the most widely used measures of financial institution performance is pretax return on assets (pretax ROA).[15] Chart 4.1 depicts annual pretax ROA for MDIs and non-MDI community and noncommunity institutions over the 2001–2013 period. The shaded region on the chart also depicts the 25th to 75th percentile of the pretax ROA distribution for MDIs in each year, with the bottom and top 25 percent of MDIs excluded.

Across the entire study period, MDIs reported a weighted average pretax ROA of 0.69 percent, compared with 1.02 percent for community banks and 1.34 percent for noncommunity banks. The average profitability of MDIs and community banks was very similar through roughly the first five to six years of this period, after which MDIs began to underperform both community and noncommunity banks. However, MDI profitability once again converged with that of community banks in

[15] Pretax return on assets equals pretax net income as a percent of average assets and includes extraordinary items and other adjustments, net of taxes.

Chart 4.2



2011 and 2012 as the economy recovered and asset quality stabilized.

Although MDIs were found to perform somewhat like community banks with regard to net interest income and noninterest income (see Chart 4.2, upper charts), MDIs experienced higher expenses related to problem loans, as well as higher overhead expenses. For example, across the study period, MDIs reported loan loss provisions averaging 0.93 percent of assets, more than twice as much as community banks and higher even than noncommunity banks (lower left). Meanwhile, MDIs reported overhead expenses that were lower, on average, than both community and noncommunity banks (lower right). However, the shaded region in the noninterest expense chart shows that almost three-quarters of MDIs reported above average expense ratios in any given year. The very smallest MDIs, in particular, were found to have much-higher-than-average overhead expenses. Across the study period, MDIs under $100 million reported noninterest expenses that were more than twice as high (4.8 percent) as those reported by MDIs over $1 billion (2.3 percent).

The influence of minority status and institution size may also help to explain variation in expense and efficiency ratios across MDI minority status groups. As shown in Chart 4.3, overhead expenses have been substantially higher among African American, Native American and Multi-Racial MDIs than among Asian American and Hispanic American MDIs. Although geography may be one factor that drives these disparities—for example, MDIs in Puerto Rico have much lower expense ratios than those in New York—the most important factor seems to be average size. The African American, Native American, and Multi-Racial MDIs average $100 to $250 million in size in

Chart 4.3

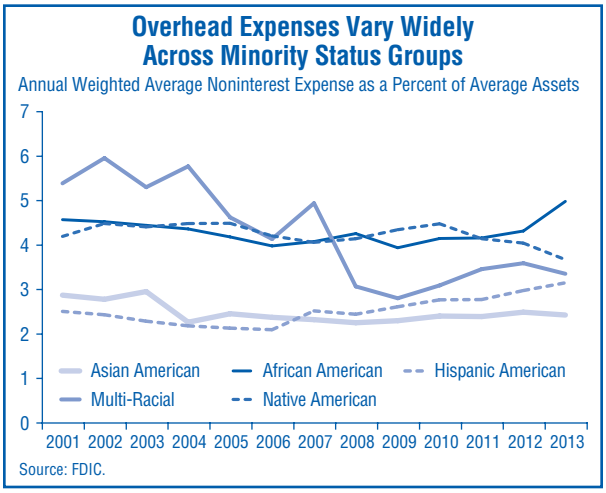
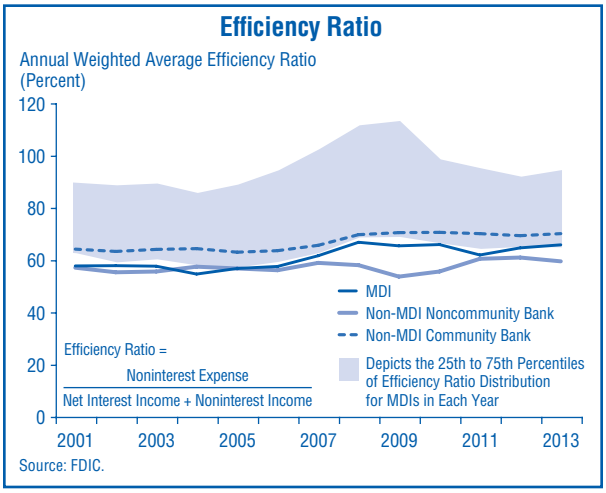


Chart 4.4

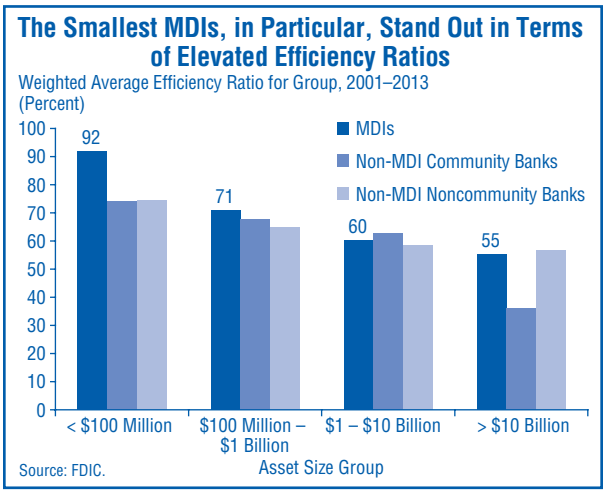


2013—far smaller than the $900 million for Asian American MDIs and $1 billion for Hispanic American MDIs outside Puerto Rico. Puerto Rico MDIs averaged $11.9 billion in assets at year-end 2013.

Efficiency ratios also show differences in the ability of small and large banks to generate revenue in relation to the expenses they incur in doing so. The efficiency ratio is the ratio of noninterest expense to net operating revenue, where a higher efficiency ratio indicates an institution that is less efficient at generating revenue per dollar of noninterest expense.[16] The *FDIC Community Banking Study* identified the emergence of a sizable "efficiency gap" between community and noncommunity banks during the period after 1998 that has narrowed only slightly in the years following the onset of the recent financial crisis. In comparison, the average MDI efficiency ratio has tended to fall between the weighted average for community and noncommunity banks (see Chart 4.4). During the study period, the average efficiency ratio of noncommunity banks equaled 57.1 percent, compared with 61.4 percent for MDIs, and 66.6 percent for community banks. Although the weighted average MDI efficiency ratios fell between these two figures during most years, the shaded region on the chart shows that three-quarters or more of MDIs report efficiency ratios higher than the average MDI in any given year.

The large share of MDIs with relatively high efficiency ratios mostly appears to point to higher-than-average

Chart 4.5



overhead expenses on the part of smaller institutions. Across the study period, MDIs with assets less than $100 million reported an average efficiency ratio (92 percent) that was substantially higher than MDIs with assets over $10 billion (55 percent). While efficiency ratios are generally higher for smaller institutions in every group, the disparity in efficiency ratios by size is even more pronounced in the case of MDIs (see Chart 4.5).

Based on the similarities between MDI and community bank pretax return on assets during most periods, a question arises as to whether the performance differences are statistically significant. The inset box discusses two tests of statistical significance with respect to MDIs and community banks from our observational study completed in 2013.

[16] Formally, the efficiency ratio is expressed as:

$$\text{Efficiency Ratio} = \frac{\text{Noninterest Expense}}{\text{Net Interest Income + Noninterest Income}}.$$

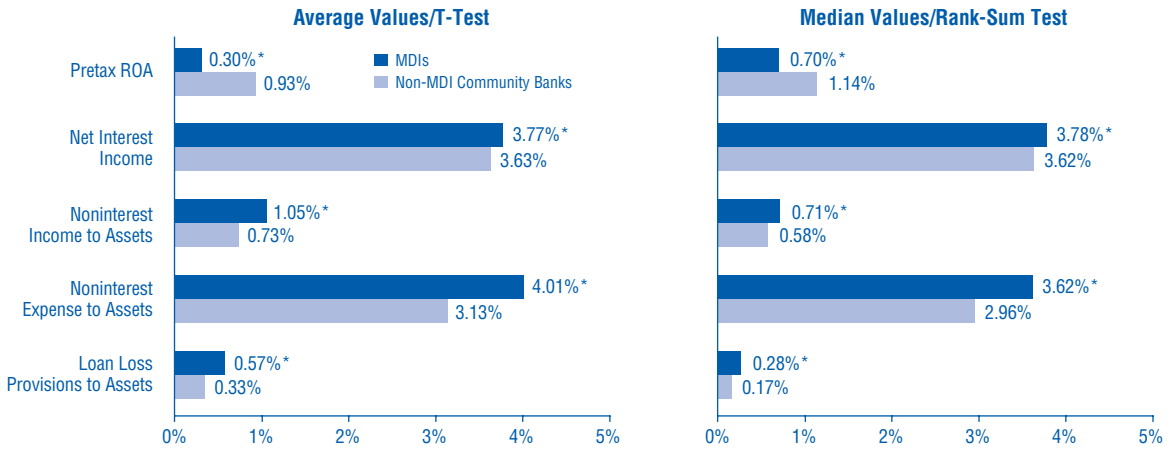
Are Differences in Financial Performance of MDI and Non-MDI Financial Institutions Statistically Significant?

In a simple comparison of financial performance, the pretax ROA of MDIs in Chart 4.1 is generally lower than that of non-MDI community banks. Other measures of financial performance depicted in Charts 4.2 through 4.4 also depict systematic differences between the two subject groups. Our analytical work related to the 2013 Interagency MDI/CDFI Bank Conference included analysis of these differences for the period between 2001 and 2012. But are these differences statistically significant?

To answer this question, we conducted an observational study in which financial institutions are treated as subjects and the MDI designation serves as a treatment factor. In this analysis, we employ two tests: a t-test and a Wilcoxon rank-sum test. Both tests have been applied to group comparisons of pretax ROA and other financial performance ratios on a pooled basis over the 2001–2012 period (see Chart below). The t-tests and Wilcoxon rank-sum tests both consistently indicate that differences in financial performance between MDIs and non-MDI community banks are statistically significant. MDIs tend to have measurably lower pretax ROA than do non-MDI community banks, and also have higher noninterest expenses and loan loss provisions. Differences in MDI and non-MDI efficiency ratios were also found to be statistically significant. Overall, the results of our analysis indicate that statistically meaningful differences exist between the financial performance of MDIs and non-MDI community banks.

Additional information related to these tests and the methodology is available in the Appendix.

Components of MDI and Non-MDI Community Bank ROA, 2001–2012



Source: FDIC.
*Indicates statistical difference at 5 percent significance level.

Factors That Affect Performance

While MDI financial performance resembled that of community banks prior to the recent recession, their performance diverged during the crisis. Table 4.1 shows that the aggregate average pretax return on assets for non-MDI and MDI community banks was similar prior to the crisis, but MDI community banks experienced negative pretax ROA in the period from 2007 to 2009. These results do not necessarily rule out the possibility of other correlating factors. Future research may provide additional insight into these potential correlations, which could include geographic and age characteristics.

Some of the difference in MDI and non-MDI performance may be attributed to the influence of geographic concentrations. As noted earlier, 60 percent of MDI offices were located among the top nine metro areas, with many of these large metro areas experiencing severe distress during the economic crisis. Table 4.1 shows that both MDI and non-MDI community banks headquartered in metro areas had lower pretax ROA during the recession, compared with institutions in nonmetro areas.

Younger institutions also performed worse relative to more seasoned charters. Overall, MDIs have a higher

Table 4.1

MDI Performance Resembles Similarly Situated Community Banks

Aggregate Average Pretax Return on Assets, Percent

Overall		2001–2003	2004–2006	2007–2009	2010–2012	2013	2001–2013
Noncommunity Banks							
Non-MDI		2.0	2.0	0.4	1.3	1.6	1.3
MDI		1.6	1.5	-0.1	0.6	0.9	0.8
Community Banks							
Non-MDI		1.5	1.5	0.5	0.7	1.1	1.0
MDI		1.3	1.5	-0.5	0.1	0.8	0.5
By MSA							
Community Banks							
Non-MDI	Metro	1.5	1.5	0.3	0.6	1.1	0.9
	Nonmetro	1.5	1.5	0.9	0.9	1.2	1.2
MDI	Metro	1.3	1.6	-0.6	0.1	0.8	0.5
	Nonmetro	1.3	1.4	0.6	0.8	0.8	0.9
By Age							
Community Banks							
Non-MDI	Less Than 5 Years	0.2	0.2	0.1	0.3	0.4	0.2
	5 - 10 Years	1.3	1.4	0.0	0.3	1.0	0.7
	Over 10 Years	1.6	1.6	0.5	0.8	1.1	1.1
MDI	Less Than 5 Years	-0.2	0.5	-1.9	0.3	-1.2	-0.6
	5 - 10 Years	1.2	1.4	-0.6	0.0	1.5	0.3
	Over 10 Years	1.3	1.6	-0.4	0.2	0.8	0.6

Source: FDIC.

proportion of younger institutions than do non-MDIs. The 2012 *FDIC Community Banking Study* demonstrated that newer community banks on average underperformed more mature community banks. In nearly every time period studied, community banks with an age of less than five years performed worse than any other age cohort. This phenomenon is consistent among young MDI community banks as well. Younger MDIs had lower pretax ROA both leading up to as well as during the recession.

Section Summary

The wide variation in size among MDI institutions, in addition to significant structural change in this segment, tends to complicate long-term group comparisons of MDI performance with that of other groups of banks. Nonetheless, we find that MDIs generally underperform non-MDI community and noncommunity institutions in terms of standard industry measures of financial performance such as pretax return on assets. MDIs were found to perform much like community banks with regard to net interest income and noninterest income, but experienced higher expenses related to problem loans as well as higher overhead expenses. Smaller MDIs especially were found to have much higher noninterest expenses compared with larger MDIs and community banks. In addition, smaller MDIs also were less efficient compared with both mid-size and larger MDIs, as well as non-MDI community and noncommunity banks. However, to the extent that MDIs have been chartered to serve a variety of stakeholders in addition to equity shareholders, it is important to also consider their relative performance in terms of social impact, which we do in Section 5.

Section 5. Social Impact of Minority Depository Institutions

MDIs play an important role in providing mortgage credit and other banking services to minority and low- and moderate-income (LMI) communities.[17] As noted in Section 2, MDI headquarters are concentrated in metropolitan areas, while their 1,793 offices are somewhat more widely distributed. There is a natural

[17] Low-income census tracts have median family income of less than 50 percent of the MSA's median family income. Moderate-income census tracts have median family income of between 50 percent and less than 80 percent of the MSA's median family income.

Estimating the Service Area of Each Bank

To examine the impact of MDIs on the communities they serve, it is necessary to first identify the *geographic service area* of each bank. Unfortunately, there are no readily available data indicating each bank's self-identified market area. In addition, the availability of data indicating a bank's Community Reinvestment Act (CRA) assessment area is subject to a *de minimis* test, and is therefore incomplete. Some previous researchers have estimated bank service areas as simply the sum of the census tracts in which each bank operates headquarters and branch offices. A shortcoming of this approach is that a census tract often covers only a small geographic area, and the average size of census tracts tends to decline as population density increases. In addition, looking only at the census tracts in which a bank's offices are located ignores people living in other nearby tracts who may also be served by those offices.

This report employs a novel computation of the service area of each bank that also includes census tracts *adjacent to* and *nearby* those in which the bank's offices are located. The following two-step process is used to identify the geographic service area of each bank:

Step 1: Determine a "reasonable distance" for customers to travel to do their banking business in a given metropolitan or nonmetropolitan area. For each geographic area, the reasonable distance is computed such that roughly 90 percent of the area's population has at least one full-service bank branch within that distance. Generally this reasonable distance is substantially longer for nonmetropolitan areas than it is for more densely populated metropolitan areas. Moreover, reasonable distances can differ substantially across various metro and nonmetro areas located around the country. For example, using 2011 data from the FDIC Summary of Deposits, New York City had the shortest reasonable distance of any MSA (0.6 miles), while Flagstaff, Arizona, had the longest reasonable distance (22.5 miles). For nonmetro areas, which are calculated on a statewide basis, reasonable distances based on 2011 data ranged from a low of 1.9 miles in Massachusetts to a high of 66.2 miles in Alaska.

Step 2: Estimate the service area of each banking office based on this "reasonable distance." Using the reasonable distance calculation made for each metro or nonmetro area, a circle can be drawn around each banking office located there. Census tracts within or touching that circle are said to be served by that banking office, and the total population served by each banking office is the sum of the residents of all these census tracts. The total population served by each bank, in turn, is the sum of the residents of census tracts served by each of its individual banking offices.

correspondence between the local demographics of MDI office locations, the lending activities they undertake, and the communities they endeavor to serve. This section compares the demographic characteristics of service areas of MDI institutions with those of non-MDI community and noncommunity banks, and explores lending by these groups of institutions in the context of these demographic characteristics.

This evaluation of the social impact of MDIs is based on a unique estimate of the relevant *geographic service area* of each institution (see inset box above). The results show that compared with other financial institutions, MDI offices tend to be located in communities with a higher share of the population living in LMI census tracts and with higher shares of minority populations. In addition, MDIs originate a greater share of their mortgages to borrowers who live in LMI census tracts and to minority borrowers compared with community or noncommunity institutions.

Comparing the Share of Population Living in LMI Tracts

Based on these computed geographic service areas, comparisons can be made of the populations served by MDIs with those served by non-MDI community and noncommunity banks. The first such comparison, undertaken for 2006 and 2011, indicates that the share of service area populations that live in LMI census tracts is higher for MDIs. In fact, the share of estimated service area populations living in LMI tracts was substantially higher for African American, Hispanic American, and Asian American MDIs, compared with both community banks and noncommunity banks (see Chart 5.1). For example, in 2011 the median non-MDI community bank operated in a service area in which 17 percent of the population resided in an LMI census tract. By comparison, the estimated service area population living in LMI tracts for the median African American MDI was 66.5 percent, or 3.9 times the share for the median non-MDI community bank. Similarly, the

Chart 5.1

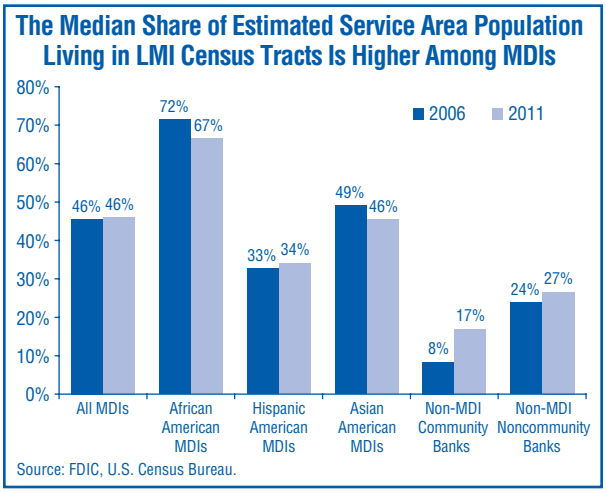
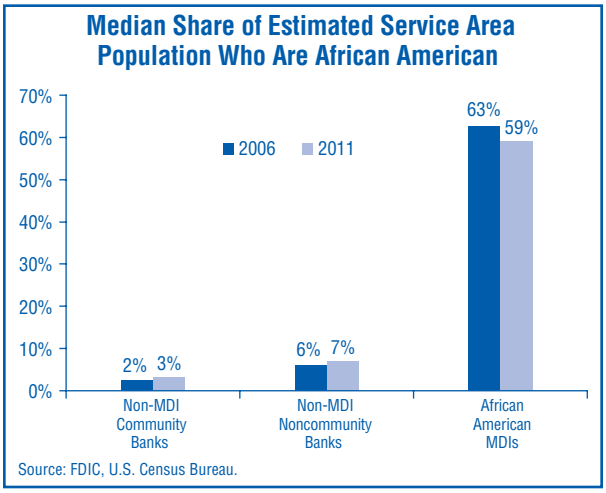


Chart 5.2



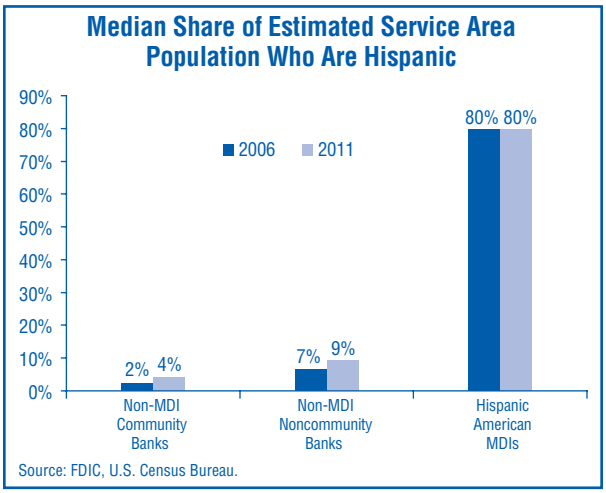
median Hispanic American MDI's estimated service area had 34.1 percent of its population living in LMI tracts, while the median Asian American MDI's estimated service area had 45.5 percent of its population living in LMI tracts.

Estimated Service Area Minority Populations

Having offices in minority communities is also important to providing access to mainstream financial services. A 2011 FDIC survey showed that 10 million "unbanked" U.S. households did not have bank accounts with mainstream financial institutions, and another 14 million households could be considered "underbanked."[18] The survey also indicated that minority households were more likely than other households to be unbanked. Some 21.4 percent of African American households and 20.1 percent of Hispanic American households were found to be unbanked in 2011, compared with 4 percent of white households.

MDIs are important service providers to minority populations, which tend to have higher percentages of unbanked households than other population groups. Using the geographic service area designations, MDI offices are shown to be located in areas with a higher share of minority populations. Analysis of the demographic characteristics of these service areas reveals that in both 2006 and 2011, the minority share of estimated service area populations was much higher for all three groups of MDIs compared with non-MDIs. For example, in both 2006 and 2011 the median share of estimated

Chart 5.3



service area population who were African American was roughly 60 percent for African American MDIs, compared with less than 7 percent among community and noncommunity banks (see Chart 5.2).

Hispanic American MDIs have service area populations with an even higher median share of Hispanic American residents compared with non-MDIs (see Chart 5.3). In both 2006 and 2011, the median share of estimated service area population who were Hispanic American was nearly 80 percent among Hispanic American MDIs compared with roughly 9 percent or less among community and noncommunity banks.

Asian American MDIs also have service area populations with a higher share of Asian Americans compared with non-MDIs (see Chart 5.4).

[18] See *2011 FDIC National Survey of Unbanked and Underbanked Households*, http://www.fdic.gov/householdsurvey/.

Chart 5.4

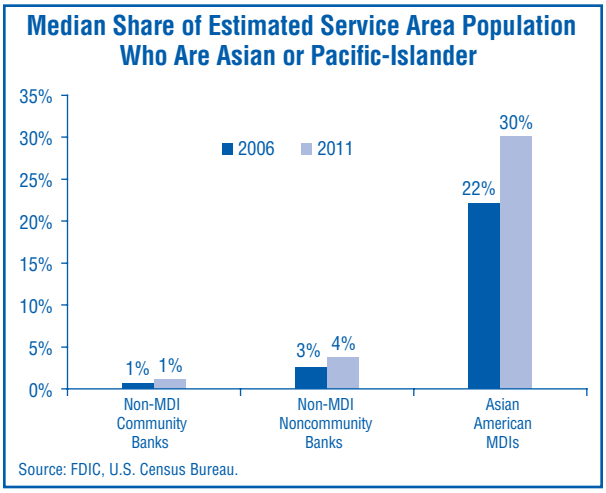
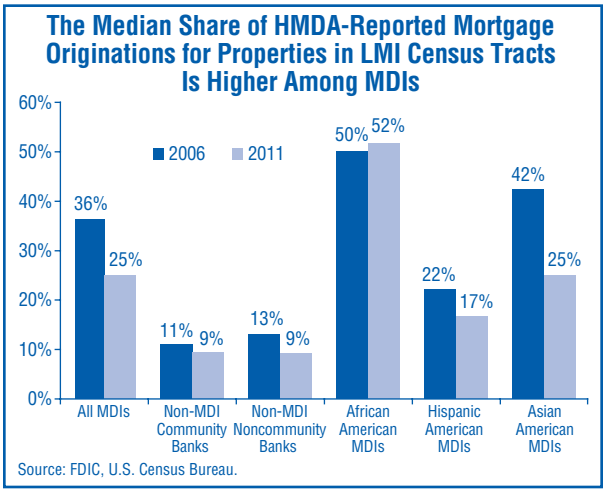


Chart 5.5

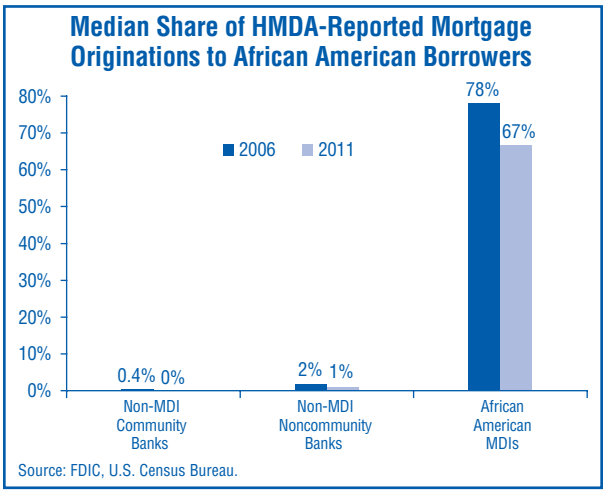


Home Mortgage Lending of MDIs

MDIs not only maintain offices in communities with higher LMI population shares than other institutions, but among banks that report data under the Home Mortgage Disclosure Act (HMDA), MDIs also originate a greater share of their home mortgages to borrowers whose properties are located in LMI census tracts.[19, 20] For example, in 2006 the median African American MDI originated half of its HMDA-reportable mortgages to borrowers for purchasing properties in LMI census tracts (see Chart 5.5). This is more than 4.5 times the share of mortgages originated to such borrowers by non-MDI community banks and more than 3.8 times the share of mortgages originated to such borrowers by non-MDI noncommunity banks.

Chart 5.5 shows that between 2006 and 2011 the share of mortgages originated in LMI census tracts declined for every group of institutions except African American MDIs. Still, in 2011, the median shares of mortgage loans made on properties located in LMI census tracts by MDIs exceeded the share made by non-MDI community banks by anywhere from 2.6 to 5.5 times.

Chart 5.6



African American MDIs appear to be particularly successful in their mission of serving African American borrowers. Chart 5.6 shows that the median share of HMDA-reported mortgages made to African American borrowers in 2006 was 78 percent for African American MDIs, compared with less than 1 percent for non-MDI community banks. While the median share of mortgages made to African American borrowers fell to 66.7 percent for African American MDIs in 2011, it still far exceeded the less than 1 percent share reported by non-MDI community banks in that year. In fact, the share of mortgages made to African American borrowers by African American MDIs exceeded the already-high share of African Americans residing in their service area by 78 percent to 63 percent in 2006 and by 67 percent to 59 percent in 2011.

[19] Depository institutions that meet three criteria must report HMDA data: (a) assets as of December 31 of the year preceding data collection exceed an annually adjusted threshold ($40 million for collecting 2011 HMDA data and $35 million for collecting 2006 HMDA data); (b) on December 31 of the year preceding data collection, the institution had a home or branch office in an MSA; and (c) in the calendar year preceding HMDA data collection, the institution originated at least one home purchase or refinance loan secured by a first-lien on a one-to-four-family dwelling.

[20] HMDA reportable mortgages are home purchase, home improvement, and refinance mortgages. Home equity lines of credit for home purchase or improvement may be reported at the institution's option (FFIEC 2010).

Chart 5.7

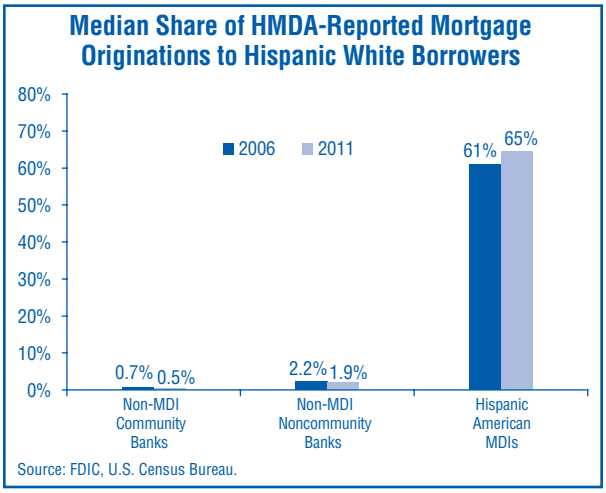
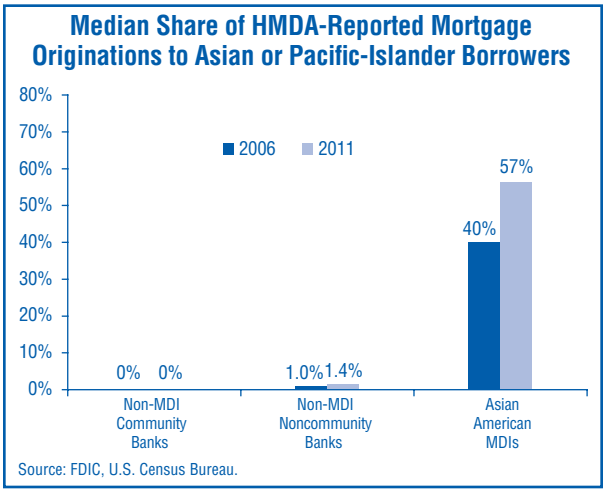


Chart 5.8



Hispanic American MDIs also appear to be highly successful in their mission of serving Hispanic American borrowers. Chart 5.7 shows that the median share of HMDA-reportable mortgages made to Hispanic American borrowers in 2006 was 61 percent for Hispanic American MDIs, compared with less than 1 percent for non-MDI community banks. In 2011, the median share of mortgages made to Hispanic American borrowers rose to 65 percent, while the share remained at less than 1 percent for non-MDI community banks.

Finally, Asian American MDIs also originated a higher percentage of their mortgages to Asian American borrowers. Chart 5.8 shows that the median Asian American MDI originated 40 percent of its HMDA-reportable mortgages to Asian American borrowers in 2006, compared with less than 1 percent for non-MDI community banks. By 2011, the median share of mortgages made to Asian Americans by Asian American MDIs had risen to 57 percent, while the median share for non-MDI community banks remained at less than 1 percent. Similar to African American MDIs, the share of HMDA-reported mortgages originated by Asian American MDIs in 2006 and 2011 exceeded the median shares of Asian American populations they served in both years (22.1 percent in 2006 and 30.1 percent in 2011, shown in Chart 5.4).

Section Summary

Compared with non-MDI community banks, MDI offices tend to be located in communities with a higher share of their population living in LMI census tracts and a higher share of minority residents. In addition, in a comparison of mortgage lending based on analysis of Home Mortgage Disclosure Act data, MDIs originated a greater share of their mortgages for properties located in LMI census tracts and to minority borrowers compared with non-MDI community and noncommunity banks. These group differences were quite substantial in magnitude and were found to be statistically significant using two different statistical tests. On the basis of these comparisons, MDIs appear to be highly successful in carrying out their mission of serving low- and moderate-income as well as minority households.

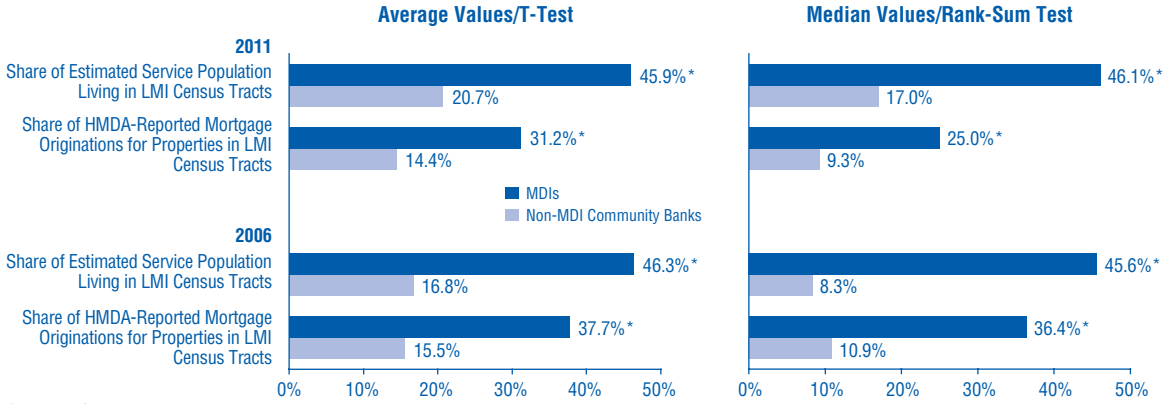
Are There Statistically Significant Differences in the Demographic and Income Characteristics of the Geographic Service Areas of MDI and Non-MDI Community Banks?

Our comparison of the social impact of MDIs and non-MDI community banks has shown that MDIs serve higher percentages of populations residing in LMI census tracts and originate higher percentages of mortgages to LMI and minority populations. But are these differences statistically significant? To answer this question, we follow the techniques applied to comparisons of financial performance in Section 4 and conduct two statistical tests using the same observational techniques: the t-test and the Wilcoxon rank-sum test.

The t-test compares the distribution of the share of the estimated service population living in LMI census tracts and the share of HMDA-reported mortgage originations for properties in LMI census tracts, and tests whether or not the mean values reported for both groups are equal in a statistical sense. A Wilcoxon rank-sum test is also employed to indicate whether the overall distributions for the two subject groups differ to a statistically significant degree. Both tests were applied to the share of service-area populations residing in LMI census tracts and the share of HMDA-reportable loans made on properties located in LMI census tracts for 2006 and 2011 (see Chart below).

The t-tests and Wilcoxon rank-sum tests both consistently indicate that differences in population demographics and lending characteristics between MDIs and of non-MDI community banks are statistically significant. MDIs reported significantly higher shares of service populations living in LMI census tracts than did non-MDI community banks in both periods, and also reported significantly higher shares of HMDA-reported mortgage originations in LMI census tracts as well. From the results of our analysis, it appears that statistically meaningful differences exist between MDI and non-MDI community bank service area demographic and mortgage origination characteristics. Additional information related to these tests and the methodology is available in the Appendix.

Demographic and Lending Characteristics of MDI and Non-MDI Community Banks, 2006 and 2011



Source: FDIC.
*Indicates statistical difference at 5 percent significance level.

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The authors would like to thank Benjamin R. Backup, Camille Campanella, Andrew Driscoll, Denis Dudnik, Miguel Hasty, Cody Hyman, Schuyler Livingston, Alexander Marshall, John McGee, Arthur Micheli, Silvia L. Ramirez, Rachelle Rose, Dhruv Sharma, Ronald W. Sims II, and Benjamin Tikvina for their significant contributions to the analysis of MDIs undertaken in this study.

APPENDIX: Additional Information on the Statistical Significance Tests

Data

We perform an observational study on FDIC-insured financial institutions that compares data on MDIs to data on non-MDI community banks. In an observational study, the assignment of subjects to groups is nonrandom and outside the control of the observer. Although our results indicate statistically significant differences exist between certain financial metrics of MDIs and non-MDI community banks, our results do not prove that being an MDI is the only reason for these differences. This is because of the possible existence of confounding factors. For example, MDIs may have greater exposure to poorer-performing markets than community banks in the aggregate. However, institutions in both subject groups operating within the same market may perform similarly. Further research into the comparative financial performance of MDIs and non-MDI community banks could compare institutions operating within the same geographic area to institutions located outside the area.

As noted earlier, the comparative analysis of financial performance of this study was completed in connection with the 2013 Interagency MDI/CDFI Bank Conference, and is therefore based on bank-level data from the December Call and Thrift Financial Reports each year from 2001 through 2012. These data are used to calculate the following financial ratios for each bank: pretax return on average assets, annualized net interest income, annualized noninterest income, annualized noninterest expense, annualized provisions, and the efficiency ratio. Each ratio is calculated by dividing the appropriate income statement item by an institution's five-quarter average assets.

A key assumption made in constructing some statistical tests is whether the variables of interest follow a *normal distribution*. As part of our analysis, we tested pooled and annual cross sections of the financial ratio data for normality using the Anderson-Darling, Cramer-von Mises, and Kolmogorov-Smirnov tests. In every case we rejected the null hypothesis of normally distributed population at significance levels less than or equal to 1 percent.

The data were also found to be heavily influenced by *outliers*, or observations well outside of a variable's usual range. For example, a handful of banks report efficiency ratios in excess of 10,000 percent, and two dozen report efficiency ratios greater than 5,000 percent. Similarly extreme values are also found among the other variables. To the extent that the goal of conducting statistical tests is to compare means or medians between groups of institutions, the presence of these extreme values can result in a misleading comparison. To minimize the influence of outliers, we limit our analysis to the core of observations that are within four standard deviations from the mean for all analysis variables. Any institution reporting a value greater than or equal to four standard deviations from the average for any analysis variable is defined as an outlier and is excluded from the analysis for that particular year. This process resulted in the exclusion of 1,926 of the 101,587 total observations available for the 2001–2012 period, or just fewer than 2 percent of all available observations.

Statistical Tests—Financial Performance

In analyzing financial performance, we use a sample composed of annual bank financial performance metrics from 2001 through 2012. This sample is used to make inferences regarding the population distributions of MDI and non-MDI community bank financial ratios. For each analysis variable, we conduct statistical tests based on the null hypothesis that the population means or distributions are identical, and the alternative hypothesis that the mean or distribution for one population differs from that of the other population. For any particular comparison, our threshold for statistical significance is 5 percent. Comparisons that produce *p-values* smaller than 5 percent reflect statistically significant differences between the two samples. In many cases, the p-values we have calculated are less than 1 percent.

Our first comparison for each analysis variable was based on the *t-test*, which is commonly used to test whether the means of two samples randomly drawn from independent, normally distributed populations are statistically different. A *t-statistic* was calculated from the means, variances, and sizes of each subject group. Comparing this test statistic with values drawn from the Student t-distribution, we calculated p-values that express the probability that the null hypothesis (that the means are equal) is correct. Pooling all non-outlier observations for the 2001–2012 period, we obtained results for comparisons between MDIs and non-MDI community banks for six measures of financial performance.

As discussed previously, one caveat associated with these results is that the population distributions for each variable are likely not normal. Moreover, while observations made within any given year may be independent, observations for the same institution across years are unlikely to meet this assumption. To account for the lack of independence across years, these t-tests were also run for

Table A.1

T-tests of Differences in Means of Selected Performance Measures of Minority Depository Institutions (MDI) and Non-MDI Community Banks, 2001–2012

		Pretax ROA	Noninterest Income	Noninterest Expense	Net Interest Income	Provisions	Efficiency Ratio
Mean	MDI	0.30	1.05	4.01	3.77	0.57	89.0
	Non-MDI CB	0.93	0.73	3.13	3.63	0.33	74.4
T-test	t-statistic	12.9	-6.8	-18.9	-7.0	-12.9	-9.9
	Interpretation	**MDI Lower**	**MDI Higher**	**MDI Higher**	**MDI Higher**	**MDI Higher**	**MDI Higher**

Notes: The community bank is defined in the *FDIC Community Banking Study* (2012).
Variables other than Efficiency Ratio are expressed as a percent of average assets.
Reported averages are not weighted.
The t-statistic is a measure of the difference in means between two samples, adjusted by the sample sizes and variation of the data. Larger absolute values imply greater differences.
The significance level is the probability of observing the result by chance, so that lower values of the significance level indicate greater likelihood that the difference between the populations is not random. We consider the results statistically significant if the probability of observing them by chance is less than 5 percent.

each individual year. The signs of the relationships indicated in Table A.1 were observed in every individual year, while the p-values calculated for individual years were below 5 percent in all but a handful of cases. These results point to a consistent pattern of statistical relationships between group means as reflected in Table A.1.

Although the t-statistic is generally robust to moderate departures from the assumption of normally distributed populations, the fact that the populations are likely not normally distributed led us to conduct a second statistical test.[21] The Wilcoxon rank-sum test was proposed in 1945 by chemist Frank Wilcoxon as an alternative test for comparing two samples without the need to assume any particular form for their distributions.[22] Using this method, a test statistic is calculated based on the rankings of observations for each variable in the pooled sample. Within that pooled sample, the ranks for observations belonging to each sample are summed independently and scaled by the size of the overall sample. For samples for which the variable distributions are very similar, these scaled rank-sums will be nearly equal to one another. Alternatively, the sample distributions can be said to be statistically different if their scaled rank sums differ to a sufficient degree. This type of comparison can be used to test the null hypothesis of equal distributions for two populations (see Table A.2).

The results of the Wilcoxon rank-sum test in Table A.2 are perfectly consistent with the results of the t-test in Table A.1. This consistency of results adds to the robustness of our conclusion that the observed differences the financial performance between MDIs and non-MDI community banks are statistically significant.

Statistical Test—Social Impact

A parallel set of statistical tests are applied below to the comparisons between MDIs and non-MDI community banks in terms of the social impact measures described in Section 5. Table A.3 applies a t-test to the comparison of mean values between these two groups for the share of service-area populations residing in LMI census tracts and the share of HMDA-reportable mortgages made on properties located in LMI census tracts. In both cases, the rather large differences in sample means observed in Section 5 are found to be statistically significant at the 5 percent level.

A parallel set of t-test results (not reported here) also indicates statistically significant differences in mean values for these social impact variables between MDIs and non-MDI noncommunity banks.

Because these comparisons of the mean values for social impact variables depend on the same statistical assumptions as the t-test applied above to financial performance variables, we also undertake a second statistical test based on the Wilcoxon rank-sum test. The results in Table A.4 indicate that, compared with non-MDI community banks, MDIs serve a significantly higher share of populations residing in LMI census tracts and originate a significantly higher share of HMDA-reportable mortgages in LMI census tracts. A parallel set of comparisons between MDIs and non-MDI noncommunity banks (not reported here) also indicates significantly higher shares for MDIs in terms of both measures.

[21] See Dennis D. Wackerly, William Mendenhall III, and Richard L. Scheaffer, *Mathematical Statistics with Applications*, 7th ed. (Belmont, CA: Brooks/Cole, 2008).
[22] See Frank Wilcoxon, "Individual Comparisons by Ranking Methods," *Biometrics Bulletin*, 1, no. 6 (Dec. 1945): 80–83, http://www.jstor.org/stable/3001968.

Table A.2

Wilcoxon Rank-Sum Tests of Differences in Distributions of Selected Performance Measures of Minority Depository Institutions (MDI) and Non-MDI Community Banks, 2001–2012

		Pretax ROA	Noninterest Income	Noninterest Expense	Net Interest Income	Provisions	Efficiency Ratio
Median	MDI	0.7	0.71	3.62	3.78	0.28	77.0
	Non-MDI CB	1.14	0.58	2.96	3.62	0.17	68.4
Rank-Sum Test	p-value	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
	Result	**MDI Lower**	**MDI Higher**	**MDI Higher**	**MDI Higher**	**MDI Higher**	**MDI Higher**

Notes: The community bank is defined in the *FDIC Community Banking Study* (2012).
Variables other than Efficiency Ratio are expressed as a percent of average assets.
The significance level is the probability of observing the result by chance. Lower p-values indicate greater likelihood that the difference between the populations is not random. We consider the results statistically significant if the probability of observing them by chance is less than 5 percent.

Table A.3

T-tests of Differences in Means of Selected Social Impact Measures of Minority Depository Institutions (MDI) and Non-MDI Community Banks

Share of Estimated Service Population Living in LMI Census Tracts

		2006	2011	Conclusion
Mean	MDI	46.3%	45.9%	MDIs have higher shares of service area populations living in LMI census tracts
	Non-MDI CB	16.8%	20.7%	
T-test	t-statistic	13.4	12.4	
	Interpretation	**MDI Higher**	**MDI Higher**	

Share of HMDA-Reported Mortgage Originations for Properties in LMI Census Tracts

		2006	2011	Conclusion
Mean	MDI	37.7%	31.2%	MDIs have higher shares of originations for properties in LMI census tracts
	Non-MDI CB	15.5%	14.4%	
T-test	t-statistic	10.3	7.1	
	Interpretation	**MDI Higher**	**MDI Higher**	

Notes: The community bank is defined in the *FDIC Community Banking Study* (2012).
The t-statistic is a measure of the difference in means between two samples, adjusted by the sample sizes and variation of the data. Larger absolute values imply greater differences.
The significance level is the probability of observing the result by chance, so that lower values of the significance level indicate greater likelihood that the difference between the populations is not random. We consider the results statistically significant if the probability of observing them by chance is less than 5 percent.

Table A.4

Wilcoxon Rank-Sum Tests of Differences in Distributions of Selected Social Impact Measures of Minority Depository Institutions (MDI) and Non-MDI Community Banks

Share of Estimated Service Population Living in LMI Census Tracts

		2006	2011	Conclusion
Mean	MDI	45.6%	46.1%	MDIs have higher shares of service area populations living in LMI census tracts
	Non-MDI CB	8.3%	17.0%	
Rank-Sum Test	p-value	<0.01	<0.01	
	Result	**MDI Higher**	**MDI Higher**	

Share of HMDA-Reported Mortgage Originations for Properties in LMI Census Tracts

		2006	2011	Conclusion
Mean	MDI	36.4%	25.0%	MDIs have higher shares of originations for properties in LMI census tracts
	Non-MDI CB	10.9%	9.3%	
Rank-Sum Test	p-value	<0.01	<0.01	
	Result	**MDI Higher**	**MDI Higher**	

Notes: The community bank is defined in the *FDIC Community Banking Study* (2012).
The significance level is the probability of observing the result by chance, so that lower values of the significance level indicate greater likelihood that the difference between the populations is not random. We consider the results statistically significant if the probability of observing them by chance is less than 5 percent.